

Government That Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

LINCOLN PARK SCHOOL DISTRICT

NOVEMBER, 2001



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Lincoln Park School District

New Jerseyans deserve the best government their tax dollars can provide. Efficiency in government and a common sense approach to the way government does business, both at the state and at the local level, are important to Acting Governor Donald T. DiFrancesco. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. The Local Government Budget Review (LGBR) program was created in 1994 by former Governor Whitman, marking the first time the state worked as closely with towns to examine what is behind those costs. The Local Government Budget Review (LGBR) program's mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service provided by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates, which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, the program was expanded, tripling the number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of the review, team members interviewed each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examined current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relevant information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received the cooperation and assistance of employees and elected officials. That cooperation and assistance was testament to the willingness on the part of most, to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
LINCOLN PARK SCHOOL DISTRICT**

The Local Government Budget Review (LGBR) unit of the New Jersey Department of Treasury conducted an extensive study of the Lincoln Park School District in response to a request of the board of education. Some 30 areas were reviewed resulting in recommended cost savings, commendations and/or managerial reform. Several areas and numerous activities were recognized as best practices, along with other commendations cited in the findings. The following is an executive summary of the findings and recommendations and dollar savings, as appropriate:

In general, the review team found that the Lincoln Park School District has operated on a reasonable cost basis. However, specific recommendations in this report address the inefficiencies of the excessive turnover in central office personnel, high costs for legal and accounting services, operational inadequacies in the business office, bidding and routing deficiencies leading to excessive costs in pupil transportation, and other suggested approaches for increased cost effectiveness.

Central Office Administration

The Lincoln Park Board of Education should conduct exit interviews with departing administrators to identify the causes for the relatively high turnover of central office administrators. The board's relationship with administrators is an important ingredient in an efficient and effective school district. Establishing appropriate roles and functions for the board and administration, and an atmosphere of mutual respect in working toward common goals should be high priorities for the district.

Contracted Services

Lincoln Park school officials should examine the conditions and practices that result in the relatively high costs for non-salary expenditures, especially for legal and auditing services. In the near future, by more frequent utilization of non-litigious avenues for conflict resolution, cost savings of at least \$50,000 should be attainable. The district should enter into formal written agreements with its service providers to specify the nature of services to be performed and fees to be paid based upon contracts awarded per Requests for Proposals (RFP).

Technology

The Lincoln Park School District has made significant progress in upgrading and enhancing the technology available for instructional purposes. However, implementation of the technology plan will require continued effort and budgetary support. Integrating the three networks will result in increased operational efficiency. District officials should study the cost effectiveness of contracting with a private firm for technology maintenance versus sharing with another school district the costs for an on-site technician to service the networks and computers.

Telephone

The district should update its records depicting the number and location of all telephone lines and keep those records on file in the business office. By reducing the number of directory assistance calls and eliminating two coin telephones in the middle school, the district could save \$2,285.

The district could likely save \$3,400 by purchasing telecommunication services (Internet access, long distance telephone service, etc.) through the New Jersey Association of School Business Officials Alliance for Competitive Telecommunications (ACT). ACT is a statewide telecommunications buying consortium.

Photocopiers

State cost per copy contracts could represent significant cost savings for the district over lease/purchase agreements. The district should eventually replace its lease/purchase agreements with cost per copy contracts for annual cost savings of about \$15,800.

SEMI

District officials should investigate the Special Education Medicaid Initiative (SEMI) and Early and Periodic Screening and Diagnostic Treatment (EPSDT) programs as potential sources of added revenue through Medicaid reimbursements.

Business Office Operations

A procedure manual should be developed detailing the duties and responsibilities of each business office position and department. The manual should be made available to each central office employee and the procedures should be updated periodically.

District officials should consider a review of the structure and location of files in the business office. All contracts and important documents should be filed in a central location as a safe archive and for ready access. All business office personnel should be familiar with the filing system.

All district personnel responsible for preparing budgets and purchasing goods and services should be knowledgeable about coding expenses according to the chart of accounts as outlined in the CEIFA Budget Guidelines. This training could be conducted in house at no additional cost to the district.

District officials should originate a purchasing manual to assist employees in following correct purchasing procedures according to New Jersey Public School Contract Law, to follow board policy, and to promote efficient practices.

District officials should establish policy to address district personnel who purchase goods without approval or for personal use. The policy could state that the district is not responsible for purchases made outside the approved procedure and that any purchases not approved according to policy become the personal obligation of the purchaser.

Although the district purchases equipment and supplies at reasonably competitive prices, the district should also consider comparing the prices offered from the New Jersey Department of the Treasury's Distribution and Support Services. Supplies and materials are available to public agencies at prices typically 30% lower than many sources and certain items may be priced quite competitively.

To increase the accounting accuracy with regard to staff assignments and payroll records, district officials should consider procedures to indicate the funding source(s) for staff salaries and benefits. Especially in the case of personnel with split funding, this action would be beneficial in monitoring revenues and expenditures.

The computer administrative software has capabilities that the district is not utilizing. The module is able to store fixed asset information, provide detailed reports, and integrate with the district's accounting system. The district should initiate procedures for tracking additions and deletions of equipment, buildings, and land improvements, as well as reviewing the appraisal reports for accuracy.

When the three district computer networks are integrated, district officials should consider the purchase of the "site based" feature that can be added to the existing software. The added feature has a capability to allow staff members remotely to originate requisitions for purchase and to allow personnel to view line item accounts. A one-time charge of \$750 would be required along with an annual support fee of approximately \$600. This feature would eliminate duplication of effort in the business office.

District officials should consider developing a policy statement regarding the desired amount of annual surplus balances, perhaps in the 3% to 4% ranges. Such guidelines could result in more accurate annual estimates of budget revenues.

More effective cash management, including utilizing on-line banking to monitor cash flow and investing in the New Jersey Cash Management Fund Account at slightly higher rates, would result in \$5,609 in additional interest revenue annually.

The district should investigate the ACES Solar for Schools Program to incorporate solar electric power in its buildings and renovation plans.

Insurance

Districts that institute aggressive prevention policies often experience reductions in the workers' compensation experience modification rate. Each decrease of one-tenth in the modification rate produces a premium reduction or savings of \$5,000 for Lincoln Park.

The district should form a safety committee to focus on employee safety issues in an effort to reduce the frequency and number of workers compensation insurance claims. Committee membership should represent a wide variety of district positions.

The district should track injuries to identify causes, conditions and areas where future injuries may be prevented. The district should create a light duty policy to return injured employees to work as soon as possible.

Transportation

Current arrangements between the Lincoln Park School District and the Morris County Educational Services Commission (MCESA) have not resulted in the preparation of efficient bus routes. If it is MCESC that will oversee the implementation of tiered route packages, the district should monitor the process. If it is to be the district, current staff should be trained, or experienced personnel should be hired. In either case, the successful tiering of bus routes in the district, based on the current vendor alignment, would save approximately \$21,000 per package, or a total of \$105,000.

The school district should closely monitor the costs of all non-public school routes, ensuring that the amounts meet statutory standards. In addition, the district should apply to the commissioner for reimbursement of that portion of the administrative and application fees, i.e., \$3,962, which exceeds the maximum allowable amount.

The district should monitor the MCESC management to ensure that all routes are being bid in a cost effective and efficient manner for savings of \$19,827. Alternatively, consideration should be given to exploring the regionalization of transportation services with neighboring school districts, rather than continuation of the MCESC services.

The school board should consider adopting policies pursuant to State Statute 18A:39-1.5, which concerns the establishment in hazardous areas of walkways for school students.

Food Services

Revenue could be enhanced by \$8,582 by increasing the prices of school lunches to the state level of \$2 for middle school and \$1.85 for elementary school students.

District officials and the food service company can enhance the productivity of the food service workers by either increasing the student participation rate or reducing the number of worker hours for savings of \$15,789.

Collective Bargaining

School officials should consider a \$15,000 cap per individual on payments for unused sick leave days. Such a cap at the time of the review would save the district \$24,000.

The respective negotiated agreements contain a significant number of stipend, longevity, and other extra payments. These separate payments complicate the payroll, record keeping and budgeting process in the business office. School district officials should consider establishing a single salary, range or schedule to cover each position with extra payments to be contracted only for extra hours or unique individual duties which exceed the normal duties of the position.

Medical Insurance

District officials are commended for negotiating employee cost-sharing and other features for health, dental and prescription plans for combined annual savings of nearly \$60,000.

District officials should consider negotiating the following additional features for health and dental insurance:

- Joining the N. J. State Health Benefits Plan (NJSHBP) for annual savings of \$146,230.
- Negotiating for employees to pay the difference in premium cost between the PPO health insurance plan and the traditional plan could produce a saving of \$11,437.
- Securing a larger degree (20%) of employee premium cost sharing in the dental program would save an additional \$9,400.
- Defining a full-time employee workweek as 35 hours or more per week to qualify for full benefits with at least \$3,000 in savings.

Contract Language

The School Services Association contract has evolved over time into a collection of provisions with sporadic organization. Prior to the next round of negotiations, school officials and association leaders should consider developing an outline and rewriting the current contract with an emphasis upon logical organization and clarity of written expression. Any ambiguity in contract language can result in extra expense for both parties for third party contract interpretation.

Negotiation Process

The analysis of the three negotiated agreements with employee organizations reveals that Lincoln Park School District officials have been very effective in the negotiation process. In general, the implementation costs of contract provisions in Lincoln Park are on par with those found in other comparable school districts.

Shared Services

The district should consider exploring areas to implement increased shared services with other school districts and/or the municipality. Recently enacted legislation, the Regional Efficiency Development Incentive Act (REDI) and Regional Efficiency Aid Program Act (REAP), provides incentives to enter into shared services arrangements and provides tax relief.

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COMMUNITY OVERVIEW

Lincoln Park was originally known as Beavertown, until its name was changed in 1871-72. The borough, which was incorporated in 1922, is situated at the juncture of the Passaic and Pompton Rivers in northeastern Morris County. The Morris Canal was built to meet a need to have less expensive modes of transportation than by overland routes. This predominately residential community covering 6.73 land miles and .24 miles of water area was a Morris Canal port in its early days. As time progressed, the borough was also accessed by railroad lines that provided additional transportation for the production of metal equipment. The railroad carried freight until late 1870 when the first passenger stop was made in Beavertown, a most memorable event for this area.

Route 202 runs through Lincoln Park providing a way to connect to Route 23 and Interstate Routes 287 and 80 and allowing borough residents a convenient avenue to major metropolitan areas. The US Census 2000 data indicates that the borough's population declined slightly to the latest figure of 10,930. This occurred after the continued trend of growth from the 1970 population of 9,034 to an estimated high of 11,270 in 1998. The majority of borough housing consists of residential units that are owner-occupied single-family properties that were built after the 1950's. According to the 1990 census, only about 25% of the land area is used for residential purposes. Lincoln Park has been described as a choice place to live because, as one person put it in 1872, "The hills to the south protect it from the low ground beyond them, and the mountains to the west and north protect it from the cold winds."

The district consists of two schools, an elementary school with grades kindergarten through fourth and a middle school with grades five to eight. The district pays tuition to send their high school students to Boonton High School. Recently, the district had two elementary schools for grades K-5 and one middle school. A successful October 1995 referendum permitted the district to expand two buildings and to reorganize in September 1998 into the current K-4 elementary and 5-8 middle schools. The unoccupied elementary school was leased to a private special education school. There are also parochial schools in the area.

According to the NJEA Research Bulletin A00-1/March, 2001, Basic Statistical Data, 2000 Edition, Lincoln Park School District had an equalized valuation per pupil of \$600,010, while the state K-8 median was \$459,270. The Lincoln Park professional staff members per 1,000 pupils were 89.0 in 1999-00 compared to a Morris County median of 91.7 and a state K-8 median of 84.9. The Lincoln Park equalized school property tax rate in 2000 was \$1.61, compared to \$1.33 for Morris County and \$1.38 for New Jersey. Lincoln Park received \$1,381 per pupil in state financial aid compared to a statewide figure of \$4,174. The New Jersey Department of Education (DOE) ranks the district in the "GH" category of District Factor Groups (DFG). This DOE indicator of the socioeconomic status of the citizens of the district has a statewide range from "A" the least affluent to "J" the most advantaged.

*The DFG was motivated by research that showed a strong relationship between socioeconomic status and educational outcomes. The state's DFG system is used for analysis of district-by-district test results and in calculating spending between districts. Since it has been held that socioeconomic status cannot be measured directly, indicators were selected in formulating a composite statistical index to produce a statistical score, which is used to rank the state school districts. Based on the score interval in which their scores were located, districts were divided into eight groups reflecting the lowest to the highest socioeconomic districts starting with A, through B, CD, DE, FG, GH, I and ending with J.

I. BEST PRACTICES

A very important part of each Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings; the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for cost and/or service delivery effectiveness.

Re-organization

The Lincoln Park school officials have improved operational efficiency by re-organizing from a three-school to a two-school district. A few years ago the district had two elementary schools for grades K-5 and one middle school. A successful October, 1995 referendum permitted the district to expand two buildings and to reorganize in September, 1998 into the current K-4 elementary and 5-8 middle schools. This allowed the district to avoid expenses for a third principal's office, including the salaries of a principal and secretary, and head school custodian. The unoccupied elementary school was leased to a private special education school.

Reportedly placing all of the children in grades K-4 into one school has been a very positive development for the district. Any issues with equity of curricular offerings, technology availability or condition of facilities have been mitigated by the reorganization. In addition, it has made the transition to the middle school more uniform.

Flex Time

The current teachers' contract increased student instructional time by 15 minutes per day. In addition, it provides for "flex time" whereby teachers may be scheduled to begin and end the school day at different times. This scheduling flexibility will allow teachers to be utilized on a more reasonable cost basis to provide tailored services for students than would be possible under more rigid traditional schedules.

Policy Development

Reportedly, during the three years from 1998-01, more than 150 policies relating to instruction, students, staff and other personnel were revised or adopted. More consistent personnel policies and practices, such as the allocation of personal and vacation days among non-unionized employees, have resulted. The district utilized a policy advisory service firm in this endeavor. Consequently, the policy book has increased considerably in volume and has been updated on a more regular basis. Continued efforts are contemplated for the business office operations and district finances.

Special Services

For their efforts in providing services to students with disabilities, the district and the special services director were recognized by the ARC of New Jersey during the 1995-96 school year. They received the Katherine Cuthbertson Award for Inclusion, and the director was named Professional of the Year for making “noteworthy contributions to a community understanding of the challenges of disabilities.” Among its achievements, the special services staff was praised for returning students from tuition placements outside the district to programs in Lincoln Park schools.

Twin Rivers

Lincoln Park participates in the Twin Rivers Special Education Consortium, a group of six school districts that coordinate staff development efforts in special education, such as arranging for speakers and organizing professional development activities. In addition, the members share information on openings in their respective special education programs, thereby encouraging placement of students in each other’s classes where there is available space. The group meets on a regular basis, and leadership rotates among participants. Lincoln Park benefits from this joint venture through increased tuition from other districts for students enrolled in its special education classes and through sharing with other districts the costs of staff development.

II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found the district makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

COMPARATIVE ANALYSES

Many of the recommendations contained in this report are based upon comparative analyses using New Jersey Department of Education data in comparison with districts of similar size and demographics (socio-economic district factor groups – DFG). The comparative data used in this report was compiled in school year 1999-00, which was current at the time of the review. Other data sources are obtained from district documents, various state agencies, state education associations, publications and private industry. School districts used for comparison with Lincoln Park include Hillsdale, Ringwood, and Shamong Township. The following table, (Table 1), which is based upon the district's Comprehensive Annual Financial Report (CAFR), compares the revenue sources of the four comparable districts:

Table 1 - Comparison of Revenues - Based on Audit Report as of June 30, 2000

Revenues	<u>Lincoln Park Borough</u>		<u>Hillsdale Borough</u>		<u>Ringwood Borough</u>		<u>Shamong Township</u>	
General Fund								
Local Tax Levy	\$10,938,293	75.4%	\$9,472,544	80.5%	\$9,995,969	69.2%	\$4,128,598	43.3%
State Aid	\$2,095,615	14.4%	\$1,306,995	11.1%	\$3,489,962	24.2%	\$4,393,602	46.1%
Federal Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Tuition	\$105,545	0.7%	\$0	0.0%	\$9,057	0.1%	\$8,500	0.1%
Interest on Investments	\$68,971	0.5%	\$0	0.0%	\$103,346	0.7%	\$0	0.0%
Transportation Fees	\$0	0.0%	\$0	0.0%	\$251,570	1.7%	\$0	0.0%
Building Rentals	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
State Unemployment Fund	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$180,899	1.2%	\$247,084	2.1%	\$103,009	0.7%	\$84,653	0.9%
Total General Fund	\$13,389,323	92.3%	\$11,026,623	93.7%	\$13,952,913	96.6%	\$8,615,353	90.4%
Special Revenue Fund								
State Aid	\$70,269	0.5%	\$195,809	1.7%	\$230,539	1.6%	\$37,931	0.4%
Federal Aid	\$244,640	1.7%	\$189,743	1.6%	\$239,580	1.7%	\$211,187	2.2%
Other	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Revenue Fund	\$314,909	2.2%	\$385,552	3.3%	\$470,119	3.3%	\$249,118	2.6%
Debt Service Fund								
Local Tax Levy	\$807,714	5.6%	\$337,299	2.9%	\$0	0.0%	\$444,014	4.7%
State Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$213,896	2.2%
Total Debt Service Fund	\$807,714	5.6%	\$337,299	2.9%	\$0	0.0%	\$657,910	6.9%
Fiduciary/Trust Fund								
State Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Federal Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Contributions	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other	\$0	0.0%	\$13,487	0.1%	\$24,174	0.2%	\$5,477	0.1%
Total Fiduciary Fund	\$0	0.0%	\$13,487	0.1%	\$24,174	0.2%	\$5,477	0.1%
Capital Projects								
Other	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Capital Projects	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Revenues (All Funds)	\$14,511,946	100%	\$11,762,961	100%	\$14,447,206	100%	\$9,527,858	100%

Source: Districts' CAFR for the Fiscal Year Ended June 30, 2000.

Note: State aid in the general fund contains nonbudgeted revenue items of On Behalf Payment for TPAF Pension Contributions and Reimbursed TPAF Social Security Contributions. These nonbudgeted revenues are offset by the general fund expenditure.

Most of the revenue for the general fund in each of the comparison districts comes from local property taxes. For the Lincoln Park School District, 75.4% of the general fund revenue comes from local taxation. The district also received state aid of 14.4% for the general fund, which is the second lowest percentage among the comparison districts. Lincoln Park also receives \$175,000 annually for the rental of the Chapel Hill School.

The following table, (Table 2), illustrates data which compares general fund expenditures based upon the district's Comprehensive Annual Financial Report (CAFR):

Table 2 - Comparison of General Fund Expenditures, 1999-00

	<u>Lincoln Park</u>		<u>Hillsdale Borough</u>		<u>Ringwood</u>		<u>Shamong</u>	
	<u>Borough</u>				<u>Borough</u>		<u>Township</u>	
Actual								
Regular Program - Instruction	\$3,161,819	23.9%	\$5,109,457	43.5%	\$4,893,093	33.7%	\$3,077,199	34.6%
Special Education	\$858,990	6.5%	\$508,598	4.3%	\$933,901	6.4%	\$649,064	7.3%
Basic Skills-Remedial	\$704	0.0%	\$77,886	0.7%	\$180,497	1.2%	\$218,103	2.5%
Bilingual Education	\$130,550	1.0%	\$58,095	0.5%	\$11,817	0.1%	\$0	0.0%
Vocational Programs	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Sponsored Co-curricular Activities.	\$51,980	0.4%	\$20,286	0.2%	\$39,378	0.3%	\$51,229	0.6%
Sponsored Athletics	\$15,023	0.1%	\$21,018	0.2%	\$0	0.0%	\$24,561	0.3%
Other Instruction Programs	\$66,275	0.5%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Community Services Programs	\$0	0.0%	\$4,917	0.0%	\$0	0.0%	\$1,168	0.0%
Total Instructional Cost	\$4,285,341	32.5%	\$5,800,257	49.4%	\$6,058,686	41.7%	\$4,021,324	45.2%
Undistributed Expense- Instruction	\$3,854,282	29.2%	\$228,176	1.9%	\$757,551	5.2%	\$188,757	2.1%
General Administration	\$471,087	3.6%	\$351,721	3.0%	\$479,185	3.3%	\$307,251	3.5%
School Administration	\$364,536	2.8%	\$499,194	4.3%	\$636,094	4.4%	\$239,411	2.7%
Total Administration Cost	\$835,623	6.3%	\$850,915	7.3%	\$1,115,279	7.7%	\$546,662	6.2%
Food Service	\$30,200	0.2%	\$0	0.0%	\$0	0.0%	\$8,970	0.1%
Health Service	\$120,744	0.9%	\$164,582	1.4%	\$185,813	1.3%	\$83,886	0.9%
Attendance & Social Work Services	\$2,000	0.0%	\$11,507	0.1%	\$3,739	0.0%	\$0	0.0%
Other Supp. Serv.-Student-Related Serv.	\$95,762	0.7%	\$84,430	0.7%	\$191,289	1.3%	\$137,194	1.5%
Other Supp. Serv.-Student-Extra Serv.	\$0	0.0%	\$71,638	0.6%	\$0	0.0%	\$117,925	1.3%
Other Supp. Serv.-Student-Regular	\$94,496	0.7%	\$125,854	1.1%	\$80,207	0.6%	\$122,951	1.4%
Other Supp. Serv.-Student- Spec. Serv.	\$377,748	2.9%	\$345,140	2.9%	\$530,366	3.6%	\$222,422	2.5%
Staff Development	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$8,123	0.1%
Other – Imp. of Inst. Services-Staff	\$11,297	0.1%	\$70,920	0.6%	\$0	0.0%	\$109,880	1.2%
Media Services/School Library	\$166,956	1.3%	\$215,024	1.8%	\$244,260	1.7%	\$137,353	1.5%
Instructional Staff Training Services	\$0	0.0%	\$7,185	0.1%	\$4,540	0.0%	\$0	0.0%
Operation of Plant	\$573,145	4.3%	\$417,369	3.6%	\$806,810	5.6%	\$551,833	6.2%
Allowable Main. for School Facilities	\$62,572	0.5%	\$616,098	5.3%	\$432,952	3.0%	\$127,663	1.4%
Business & Other Support Services	\$253,308	1.9%	\$313,621	2.7%	\$271,379	1.9%	\$227,688	2.6%
Total Unallocated Benefits	\$988,777	7.5%	\$1,040,406	8.9%	\$1,685,169	11.6%	\$1,059,263	11.9%
Total Support Services	\$2,777,005	21.0%	\$3,483,774	29.7%	\$4,436,524	30.5%	\$2,915,151	32.8%
TPAF Pension & Reimb. SS & Con.	\$132,352	1.0%	\$127,669	1.1%	\$87,556	0.6%	\$27,285	0.3%
Reimb. TPAF SS Contrib.	\$364,620	2.8%	\$480,216	4.1%	\$532,674	3.7%	\$338,371	3.8%
Transportation	\$906,505	6.9%	\$243,889	2.1%	\$1,217,763	8.4%	\$616,809	6.9%
Capital Outlay	\$33,670	0.3%	\$511,545	4.4%	\$329,112	2.3%	\$233,098	2.6%
Special Schools	\$13,640	0.1%	\$6,657	0.1%	\$0	0.0%	\$0	0.0%
Transfer of Funds to Charter School	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Gen. Fund Expenditures	\$13,203,038	100%	\$11,733,098	100%	\$14,535,145	100%	\$8,887,457	100%
Avg. Daily Enrollment	988		1,167		1,346		931	
Source: School districts' 1999-00 CAFR and NJ Department of Education Comparative Spending Guide (2001).								

Under the Lincoln Park Undistributed Expenditures-Instruction, nearly \$3 million was expended for tuition payments for sending high school students to Boonton. These expenditures are not included in calculating the per pupil costs for grades K-8.

Table 3 indicates the comparative per pupil costs for the four school districts for selected cost factors for the 1999-00 school year.

**Table 3 - Analysis of Similar Districts Using Per Pupil Expenditures or Staffing Data
For School Year 1999-00**

	<u>Lincoln Park</u> <u>Borough</u>	<u>Hillsdale</u> <u>Borough</u>	<u>Ringwood</u> <u>Borough</u>	<u>Shamong</u> <u>Township</u>
Total Cost Per Pupil*	\$8,038	\$8,710	\$8,603	\$8,042
Total Classroom Instruction	\$4,976	\$5,542	\$5,285	\$5,004
Classroom Salaries & Benefits	\$4,701	\$5,276	\$5,136	\$4,736
Classroom General Supplies & Textbooks	\$213	\$196	\$144	\$228
Classroom Purchased Services & Other	\$61	\$70	\$5	\$40
Total Support Services	\$1,041	\$1,070	\$1,093	\$1,182
Support Services Salaries & Benefits	\$849	\$895	\$1,000	\$983
Total Administrative Cost	\$1,210	\$1,099	\$1,096	\$935
Salaries & Benefits for Administration	\$837	\$869	\$853	\$724
Operations & Maintenance of Plant	\$702	\$955	\$981	\$811
Salaries & Benefits for Operation/Maint. of Plant	\$405	\$597	\$393	\$500
Food Service	\$31	\$0	\$0	\$17
Extracurricular Cost	\$78	\$40	\$34	\$95
Equipment	\$86	\$91	\$39	\$247
Median Teacher Salary	\$50,978	\$69,670	\$64,220	\$55,044
Median Support Service Salary	\$53,816	\$45,688	\$55,961	\$52,751
Median Administrator Salary	\$98,948	\$102,314	\$78,280	\$82,749
Budgeted Gen. Fund Bal. vs. Actual or Generated.	\$153,894	\$150,000	\$969,244	\$559,757
Unreserved Gen. Fund Balance in Excess of 6%	\$0	\$0	\$1,330,570	\$674,758
Student/Teacher Ratio	13.5	13.6	14.3	14.1
Student/Support Service Ratio	103.8	113.3	87.4	68.2
Student/Administrator Ratio	177.9	170.7	189.4	153.5
Faculty/Administrator Ratio	14.9	14.1	15.4	13.1
Personal Service-Employee Benefits	17.0%	13.1%	18.1%	19.3%

Source: NJDOE Comparative Spending Guide – 2001.

The total cost per pupil is calculated as the total current expense budget plus certain special revenue funds, particularly early childhood programs, demonstrably effective programs, distance learning network costs and instructional supplement costs. The calculation does not include those expenditures funded by restricted grants, TPAF, tuition payments to other districts and private school, local contributions to special revenue, interest payments on the lease purchase of buildings, transportation costs, residential costs and judgments against the school district. Also excluded from this per pupil calculation are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state and federal grants, and debt service expenditures.

A comparison of Lincoln Park's per pupil costs with those of Hillsdale, Ringwood and Shamong Township, based on the Comparative Spending Guide (Table 3) illustrates that overall, Lincoln Park's costs ranked lower than the comparable schools in most categories. The total administrative cost and food service ranked the highest. The classroom general supplies and textbooks, purchased services and other, extracurricular cost, median support service salary and median administrator salary ranked the second highest among the comparable school districts.

In the 2001 Comparative Spending Guide, Lincoln Park is grouped with 92 K-8 districts. The following table, (Table 4), indicates Lincoln Park's rank in selected cost categories for the school years 1998-99, 1999-00 and 2000-01:

Table 4 - Comparison of Lincoln Park within 92 Similar School Districts

Ranked Low Cost to High Cost	1998-99		1999-00		2000-01	
	Actual	Ranking	Actual	Ranking	Budget	Ranking
Cost Per Pupil	\$8,131	76	\$8,038	65	\$8,582	67
Classroom Instruction	\$5,088	77	\$4,976	63	\$5,261	65
Classroom Salaries & Benefits	\$4,769	72	\$4,701	62	\$4,843	61
General Supplies & Textbook	\$214	58	\$213	54	\$312	89
Purchased Services & Other	\$105	83	\$61	67	\$107	84
Support Services	\$1,014	68	\$1,041	61	1,143	63
Support Serv. Salaries & Benefits	\$867	67	\$849	57	\$905	51
Total Administrative Cost	\$1,150	84	\$1,210	84	\$1,232	86
Salaries & Benefits for Admin.	\$825	74	\$837	68	\$930	80
Operations & Maintenance	\$760	48	\$702	30	\$805	42
Salaries & Benefits for Opera./Main.	\$429	63	\$405	50	\$487	64
Food Service	\$40	25	\$31	20	\$35	31
Extracurricular Cost	\$71	80	\$78	81	\$77	70
Median Teacher Salary	\$52,340	64	\$50,978	67	\$54,619	75
Median Support Service Salary	\$54,428	66	\$53,816	62	\$59,177	73
Median Administrator Salary	\$96,067	77	\$98,948	79	\$98,949	78
Ranked High Ratio to Low						
Student/Teacher Ratio	13.4	75	13.5	66	13.7	42
Student/Support Service Ratio	91.2	58	103.8	38	100.1	42
Student/administrator Ratio	175.9	65	177.9	59	166.8	65
Faculty/Administrator Ratio	15.1	54	14.9	57	13.8	69

Source: 2000 & 2001 NJDOE Comparative Spending Guide

Total of 92 School Districts

Lincoln Park Borough was compared to 91 other school districts, grade K-8, ranked low (1) to high (92), using the 2000 and 2001 Comparative Spending Guide published by the New Jersey State Department of Education. The cost per pupil for Lincoln Park School District was ranked 76th in 1998-99, 65th in 1999-00 and 67th (budget) in 2000-01. A ranking of above 46 would reflect a higher cost than the midpoint and a ranking of lower than 46 would reflect costs below the midpoint of the 92 districts. An examination of Table 4 reflects Lincoln Park's standing when compared with the 92 like enrollment/grade configuration districts.

The actual total cost per pupil in Lincoln Park Borough for 1998-99 was \$8,131 and in 1999-00 the total cost per pupil was \$8,038, while the state average cost for K-8 schools was \$7,163 in 1998-99 and \$7,424 in 1999-00. Lincoln Park School District was above the state average cost for K-8 districts by 13.52% in 1998-99 and 8.27% in 1999-00. During these two years, the Lincoln Park School District was ranked above the median in most cost categories.

In the table below, Lincoln Park is compared to the three selected districts using more general data from the NJ School Report Card and the Comprehensive Annual Financial Report (CAFR).

Table 5 - Comparisons among Select Districts on General Characteristics

Description	Lincoln Park	Hillsdale	Ringwood	Shamong
County	Morris	Bergen	Passaic	Burlington
District Type	II	II	II	II
Grades	K-8	K-8	K-8	K-8
District Factor Group	GH	GH	GH	GH
Certified Employees	90	108	118	85
Other Employees	50	57	93	34
Total Employees	140	165	211	119
Square Miles	6.7	2.9	27.3	45
Number of Schools				
Elementary	1	2	3	1
Middle	1	1	1	1
Total Schools	2	3	4	2
Average Daily Enrollment	988	1,167	1,346	931
Teacher/Student Ratio				
Elementary	1:14.7	1:15.8	1:12.1	1:14.1
Middle School	1:11.2	1:11.6	1:10.6	1:12.3
Administrative Personnel				
Number of Administrators	5.6	6.7	7.2	6
Administrator/Students	1:177.9	1:170.7	1:187.5	1:153.8
Administrator/Faculty Ratio	1:14.9	1:14.1	1:15.4	1:13.1
Median Salary				
Faculty	\$51,096	\$66,676	\$63,582	\$55,044
Administrators	\$98,948	\$102,314	\$78,280	\$82,749
Median Years of Experience				
Faculty	14	17	22	18
Administrators	27	28	27	22
Instructional Time	5 hrs. & 20 ins.	5 hrs. & 20 mins.	5 hrs. & 29 mins.	5 hrs. & 28 mins.
Student Mobility Rate	6.6%	2.1%	7.0%	7.1%

Source: 1999-00 School Report Cards, 1999-00 CAFRs and 2001 NJ Department of Education Comparative Spending Guide, 1990-00 column.

ADMINISTRATION

The district organization chart identifies the administrative staff as the superintendent, the business administrator/board secretary, one elementary and one middle school principal, a middle school deputy principal and a director of special services. The superintendent supervises the business administrator, the building principals, the director of special services and central office secretarial staff. The chart also lists secretaries and supervisors of maintenance and cafeteria (contracted) as reporting to the business administrator.

The two school principals and the director of special services have been employed in Lincoln Park for many years. However, at the time of the review team's visit, Lincoln Park School District had experienced a complete turnover in central office administrative personnel. The superintendent had elected to retire and accept a position out-of-state. The business administrator/board secretary had accepted a position in another New Jersey school district. An

examination of district records indicated that in 1994-95 there was an interim superintendent/business administrator. In the six-year period (1995 to 2001), including the recent hires, there have been three superintendents and four business administrators. Additional information is provided in the Board of Education section of this report.

Recommendation:

Lincoln Park school officials should consider the impact of continued short-term employment of central office administrators. The review team frequently found an absence of “institutional memory” in collecting information about district operations, as the personnel were no longer in the district. While the remaining secretarial employees were cooperative, the answers to many routine questions were not readily obtainable except through an extensive search of district documents that were sometimes difficult to locate. But more importantly, the efficiency of district operations is impaired when administrators spend much of their term becoming familiar with a new position in a new setting and then leave within two to three years.

Administrative Expenditures

In the Comparative Spending Guide published annually by the New Jersey Department of Education, total administrative expenditures relate to the four areas of the annual school district budget statement—general administration, school administration, business and other support services (both business and central) and improvement of instruction services. The 1999-00 total administrative cost in the Lincoln Park Township School District was \$1,210 per pupil with a ranking of 84 out of 92 school districts (ranked low to high). The state median total administrative cost for K-8 type districts was \$1,043.

The comparable figures for total administrative cost for the four comparable districts are presented in the following table:

Total Administrative Cost – Selected K-12 Comparable Districts	1999-00 Actual Per Pupil* Cost	1999-00 % of Total Comparative Cost/Pupil	1999-00 Ranking
Hillsdale Borough	\$1,099	12.6%	76
Ringwood Borough	\$1,096	12.7%	75
Shamong Township	\$935	11.6%	51
Three-District Average	\$1,043	12.3%	67
Lincoln Park	\$1,210	15.1%%	84
Per Pupil Cost (above three-district average)	+\$167		

*Average daily enrollments (ADE).

Administrative salaries and benefits include the full-time, part-time and prorated salaries of superintendents, assistant superintendents, and other general administrators, school business administrators/board secretaries, and other business and central office staff, principals, assistant principals, department chairpersons, supervisors of instruction, curriculum coordinators and related secretarial and clerical staff for these activities. Per pupil costs for salaries and benefits

for administration in 1999-00 were \$837, which ranked the district 68th of 92 school districts. The comparisons for the four districts for 1999-00 are as follows:

Salaries and Benefits for Administration – Selected K-12 Comparable Districts	1999-00 Actual Per Pupil Cost (ADE)*	1999-00 % of Total Comparative Cost/Pupil	1999-00 Ranking
Hillsdale Borough	\$869	10.0%	75
Ringwood Borough	\$853	9.9%	74
Shamong Township	\$724	9.0%	49
Three-district average	\$815	9.3%	66
Lincoln Park	\$837	10.4%	68
Per Pupil Cost (above three-district average)	+\$22		

*Average daily enrollments (ADE).

An examination of salary levels indicates that Lincoln Park had a median administrative salary in 1999-00 of \$98,948, or \$11,167 higher, compared to the average of \$87,781 for the three comparable districts. The Lincoln Park median administrative salary was also \$17,155 above the state average K-8 administrative salary of \$81,793 in 1999-00. The K-8 administrative experience statewide reportedly was 23 years in 1999-00, compared to 27 years in Lincoln Park. The senior experience levels of the Lincoln Park principals and the director of special services would appear to account for some of the difference. Administrative salary levels are also discussed in the collective bargaining section of this report.

According to the Comparative Spending Guide, March, 2001, employee benefit costs in 1999-00 in Lincoln Park were 17% of total salaries compared with a 16.8% average for the three similar districts and a K-8 state median of 16.1%.

The costs for administrative salaries and benefits are determined by the number of persons employed and the amount or level of salary and benefits provided by the district. As indicated earlier in the comparative analysis, in 1999-00 Lincoln Park had a student/administrator ratio of 177.9 students per administrator compared to an average of 171.2 students for the three similar districts and a K-8 New Jersey average of 182.6. Consequently, the review team concludes that the number of administrators in the Lincoln Park School District is about average in comparisons with the respective per pupil benchmarks.

General Administrative Costs

The review team also examined the Lincoln Park general administrative costs in relation to the three other comparable districts. An examination was conducted of the Lincoln Park, Hillsdale Borough, Ringwood Borough, and Shamong Township Comprehensive Educational Improvement and Financing Act (CEIFA) function 230-support services, general administration-account for fiscal year 1999-00. This function includes expenses associated with the board of education, central administration and school elections. The review revealed the following costs for fiscal year 1999-00 (based on the 6/30/00 audit report):

General Administration	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
CEIFA Function 230	Morris Co.	Bergen Co.	Passaic Co.	Burlington Co.
Salaries	\$184,247	\$186,219	\$191,576	\$146,004
Legal Service	\$93,663	\$4,917	\$41,248	\$30,440
Other Purchased Prof. Service	\$41,658	\$38,069	\$29,060	\$39,285
Purchased Technical Service	\$36,612	\$0	\$0	\$0
Communications/Telephone	\$33,921	\$74,546	\$60,567	\$25,832
Travel	\$0	\$0	\$0	\$1,512
Other Purchased Services	\$48,143	\$11,916	\$17,112	\$25,980
Supplies and Materials	\$12,921	\$9,901	\$6,826	\$2,357
Judgments/School District	\$0	\$0	\$87,267	\$0
Miscellaneous	\$19,922	\$26,153	\$45,529	\$35,841
Total	\$471,087	\$351,721	\$479,185	\$307,251
Per Pupil (ADE)* Costs	\$477	\$301	\$356	\$330

*The 1999-00 district average daily enrollments were Lincoln Park - 988, Hillsdale Borough - 1,167, Ringwood Borough - 1,346 and Shamong Township - 931 pupils.

An analysis of this data reflects that the general administrative costs for Lincoln Park were \$477 as compared with \$301 for Hillsdale Borough, \$356 for Ringwood Borough and \$330 for Shamong Township. Lincoln Park's costs in legal services, other purchased professional service, purchased technical service, other purchased service and supplies and materials in this account were recorded as the highest of the comparative schools. Lincoln Park salaries were the second lowest in total, but were the highest on a per pupil basis, and miscellaneous was the lowest among the comparison districts. Contracted legal and auditing services, and telephone costs are addressed in more detail in separate sections of this report.

It should be acknowledged that in some cases line item expenditure differences might be related to accounting decisions as much as employment or purchasing decisions.

School Administration

CEIFA Line 240-Support Service, School Admin.	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
Salaries				
Principals & Vice-Principals	\$281,900	\$325,136	\$385,786	\$134,137
Secretarial & Clerical	\$64,456	\$0	\$167,590	\$79,565
Other Salaries	\$0	\$155,104	\$0	\$0
Purchased Technical Service	\$1,280	\$0	\$0	\$14,096
Other purchased Services	\$10,333	\$10,026	\$43,216	\$9
Supplies & Materials	\$6,567	\$8,928	\$31,435	\$6,508
Other Objects	\$0	\$0	\$8,067	\$5,096
Total	\$364,536	\$499,194	\$636,094	\$239,411
Per Pupil (ADE)*Cost	\$369	\$428	\$473	\$257

*The 1999-00 district average daily enrollments were Lincoln Park - 988, Hillsdale Borough - 1,167, Ringwood Borough - 1,346 and Shamong Township - 931 pupils.

As indicated above, Lincoln Park's per pupil costs associated with the overall administrative responsibility of individual schools, including the salaries of principals, assistant principals, other supervisory assistants and secretaries are the second lowest of the four districts. The Lincoln Park per pupil cost of \$369 was \$17, or 4.4%, lower than the three-district average of \$386. The recent re-organization of the Lincoln Park School District from three to two schools undoubtedly was a factor in this favorable comparison.

According to the Department of Education T & E Efficiency Model, a 675-pupil middle school should have a principal and a vice-principal. By comparison, the Lincoln Park Middle School with 450 students should have a principal and .5 vice principal. However, as indicated later in the guidance section of this report, by the same benchmark Lincoln Park is short by one-third guidance counselor. Since part-time employees often are not practical, the overall staffing for school administration and guidance appears reasonable.

Business and Other Support Services (Line 290)	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
Salaries	\$175,850	\$229,989	\$227,313	\$205,297
Purchased Prof./Tech. Services	\$17,565	\$11,506	\$32,752	
Other Purchased Services	\$1,394	\$47,101	\$928	\$2,608
Interest/Lease Purchase Agree.	\$13,945			\$13,157
Supplies & Materials	\$7,883	\$21,000	\$7,657	\$3,462
Miscellaneous	\$36,671	\$4,025	\$2,729	\$3,164
Total	\$253,308	\$313,621	\$271,379	\$227,688
Per Pupil (ADE)* Cost	\$256	\$269	\$202	\$245

*The 1999-00 district average daily enrollments were Lincoln Park-988, Hillsdale - 1,167, Ringwood Borough - 1,346 and Shamong Township - 931 pupils.

The Lincoln Park business and other support service was second highest among the comparison districts and at per pupil costs of \$256 was \$17, or 7%, more than the three-district average of \$239. In comparing each district's business and other support services, it should be noted that negotiated contracts for business office support personnel were not settled at the time of the district's audit. If increases were given to the support personnel in the 1999-00 school year, it would increase the salary line item slightly. However, the Lincoln Park School District would still have the lowest expenditure for salaries of the compared districts. Also, the Lincoln Park School District paid taxes to the municipality for a school building it leases to a private school in the amount of \$35,039. This miscellaneous expenditure accounts for \$35.46 per pupil. Deducting this expenditure brings Lincoln Park's business and other support services expenditures to \$220.92 cost per pupil, just above the Ringwood School District.

The review team examined the CEIFA Function 221 Improvement of Instruction Services. The detailed distribution of salaries among these accounts was not always consistent from district to district.

Improvement of Instruction Services (Line 221)	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
Super. of Instruction-Salaries	\$11,300	\$65,127	\$0	\$85,798
Secretarial & Clerical	\$0	\$0	\$0	\$21,510
Purchased Prof/Tech. Services	\$0	\$1,500	\$0	\$0
Travel	\$0	\$0	\$0	\$84
Supplies & Materials	\$167	\$4,217	\$0	\$833
Other Objects	\$0	\$76	\$0	\$1,655
Total	\$11,297	\$70,920	\$0	\$109,880
Per Pupil (ADE) Cost	\$11	\$61	\$0	\$118

*The 1999-00 district average daily enrollments were Lincoln Park - 988, Hillsdale Borough - 1,167, Ringwood Borough - 1,346 and Shamong Township - 931 pupils.

Ringwood Borough did not report any expenditure in this account. The Lincoln Park per pupil cost at \$11 was \$79 below the two-district average of \$90.

The following table summarizes the totals of the four CAFR accounts.

Totals- CEIFA Line Items 221, 230, 240, & 290	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
General Administration	\$471,087	\$351,721	\$479,185	\$307,251
School Administration	\$364,536	\$499,194	\$636,094	\$239,411
Business & Other Support	\$253,308	\$313,621	\$271,379	\$227,688
Improv. of Instruction	\$11,297	\$70,920	\$0	\$109,880
Total	\$1,100,228	\$1,235,456	\$1,386,658	\$884,230
Per Pupil (ADE) Cost	\$1,114	\$1,059	\$1,030	\$950

*The 1999-00 district average daily enrollments were Lincoln Park - 988, Hillsdale Borough - 1,167, Ringwood Borough - 1,346 and Shamong Township - 931 pupils.

The Lincoln Park School District total administrative cost in 1999-00 was \$1,114 per pupil, which was the highest of the comparison districts and \$101 above the three-district average of \$1,030. The Lincoln Park median administrator salary was somewhat above the benchmarks, and the number of administrators remained comparable with the comparisons.

Salaries Only- CEIFA Line Items 221, 230, 240, & 290	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
Salary Totals	\$707,583	\$961,575	\$972,265	\$672,311

Further examination by the review team revealed that combined salary expenditures in Lincoln Park totaled \$716 per pupil, while the average administrative salary cost in the three comparable districts was \$756. Consequently, in this comparison the non-salary expenditures primarily account for the higher administrative costs in Lincoln Park.

In summary, the review team has conducted an analysis of the Lincoln Park School District administrative costs in relation to 92 school districts of similar type and enrollment in the Comparative Spending Guide. Lincoln Park ranked 84th in total administrative costs and 68th in administrative salaries and benefits. Lincoln Park salary levels were above the state median in

part due to the seniority of principals and perhaps due to the geographic location of the district in northern New Jersey. The district non-salary costs caused the total administrative costs to be even higher with a ranking of 84th.

A more detailed comparison with three similar districts confirmed that the non-salary expenditures were the primary cause for the higher administrative costs in Lincoln Park. The \$35,000 payment for property taxes on the Chapel Hill School is a business office expense normally not found in the typical school district that also increases the Lincoln Park administrative expenses.

Recommendation:

As indicated in other sections of this report, Lincoln Park School officials should examine the necessity for the above average costs for non-salary expenditures, especially for legal and auditing services.

TECHNOLOGY

In April, 2001, the Lincoln Park Three-Year Technology Plan was submitted to the Morris County Superintendent. The plan contains 24 pages of descriptive materials and appendices A through I, including goals and objectives, implementation strategies, staff development, technology inventory, and facilities, spending and evaluation plans. The plan, which involved collaboration among administration, staff, board and community, promotes instructional and administrative applications of technology.

Instruction

In 1994, three computer laboratories were installed in Lincoln Park schools, and since that time, computers have been stationed in every regular classroom. During 1997-98, the Tech Lab 2000 program was installed in Lincoln Park Middle School. This program provided students with graphic and digitized video imaging, multimedia presentations, robotics, desktop publishing and computer simulations. A G3 dual platform lab was installed in the middle school in 1998-99 to provide the transition between Mac-based and Windows-based systems. During 2001-02, there are budgeted funds to replace the computers in the two largest instructional labs (30 computers each) and to add new printers, LCD panels and digital cameras to district hardware. Many of the replaced computers will be moved to individual classrooms for basic technology learning. Each of the district sites, i.e., elementary school; middle school and central office, has a computer network. A technology plan goal advocates that all three sites be networked together within the next two years. Internet access is available for each student and a district web site is currently under construction. A distance-learning site is available to Lincoln Park High School students at Boonton High School. Articulation with Boonton High School promotes the common development of instructional technology.

Educational software is installed on the networks, integrated into the curriculum and used regularly to promote student learning. Benchmark statements have been established to guide learning and to monitor pupil performance in grades 1-8. There is ongoing review of new

software applications by the media specialists and other staff. Infusion of instructional technology continues through the purchase of software for regular and remedial education, and ongoing teacher training.

Lincoln Park utilizes the Morris County Educational Technology Training Center (ETTC) for staff in-service education. The district provides staff training during school hours, after school hours and during the summer.

Budgets

Financial commitments for implementing the technology plan are included in each annual district budget. State and federal grants, such as E-rate and distance learning funding, are utilized as available. The technology allocation for 2001-02 is about 1.2% of the Lincoln Park School District \$13 million budget and totals \$150,300 including:

1. Two new computer laboratories	\$60,000
2. Maintenance for routine repairs	\$48,000
3. New printers and LCD projectors	\$21,000
4. Student data management package	\$7,500
5. Professional development	\$6,000
6. Electrical work/upgrades	\$5,000
7. Digital cameras	\$1,600
8. ETTC membership	\$1,200

In addition, under the telephone account there is \$15,762 in annual cost for the Internet service provider. In January, 2000, the district contracted with Verizon's Access New Jersey program for ATM telecommunication services over three years for the two schools.

Support

Technology maintenance occurs weekly in each school on a contractual basis at a cost of about \$48,000 annually. Any extensive installation or major repair work is completed during school vacations or in the summer. In addition to budgetary allocations for maintenance, capable local staff members provide basic computer adjustments and a technology advisory committee is utilized for advise and support.

The technology plan lists as a possible future endeavor sharing with another district the cost for an on-site technician to service the 200+ computers and networks. The review team notes that some school districts have experienced considerable turnover of computer technicians due to a shortage of trained personnel. As the number of computers in the district increases, the need for added support will also develop.

Recommendation:

District officials should study the cost effectiveness of contracting with a private firm for technology maintenance versus sharing with another school district the costs for an on-site technician to service the networks and computers.

Administration

Efficiency of operations is promoted through increased use of technology for communications, reports, staff evaluations, report cards and curriculum writing. The district utilizes the Asbury Park Information Technology Center Data Package. In 2001, a student data package will be acquired for student records, scheduling, progress reports and report cards.

The district lease-purchased the computer software for the business office from Computer Solutions, Inc. A personnel records management system was initiated in 1999. The school district employed a part-time payroll clerk to prepare the payroll in-house and to keep personnel attendance and benefits records. Future upgrades to the system are anticipated to generate purchase orders, assist in budget preparation and other district financial functions. Also, during 1999 pupil transportation routing was completed through a Versa Trans software program. Additional information about administrative software is contained in the business office operations section of this report.

The review team concludes that during the past year the Lincoln Park School District has made significant progress in upgrading and enhancing the technology available for instructional purposes. However, implementation of the technology plan will require continued effort and budgetary support. The technology infrastructure capabilities would be further enhanced by the integration of the three networks. The construction of a district web site is anticipated and the administrative management information system can be made more effective with additional components and staff training.

Telephones

The telephone system was purchased about 1995. According to the local telephone provider, the district has a Centrex system with 38 lines. There are 13 plain old telephone system (POTS) lines for the district's alarms and modems. Telephone calls may be made within the district by using a 4-digit code. The system is blocked from calling 700 and 900 telephone numbers.

The team reviewed the district's 2000-01 telephone bills and payment records. The districts' total costs for telephone service (local and long distance) was \$28,242 and \$20,819 for the 1999-00 and 2000-01 school years, respectively. The 2000-01 telephone cost included an E-rate adjustment refund in the amount of \$13,883. A comparison of similar districts indicated that Lincoln Park's expenses for communications (telephone/postage) were reasonable.

The local carrier provides service at \$.06 per minute along with a discount plan of 4.5% for tolls. The long distance carrier provides a discount for all direct calls, excluding directory assistance and operator calls.

The local provider submits duplicate bills, which are reviewed by the school principals who in turn collect monies from the school staff for personal telephone calls. Records show that employees reimbursed the district for personal calls in the amount of \$160.46. There is no policy that addresses the use of telephones for personal calls.

The local telephone provider bills indicated that there were 1,855 calls to local directory assistance, national directory assistance, and calls completed through directory assistance costing

the district \$1,006. The long distance provider bills indicated that there were 54 calls for direct dial directory assistance and operator handled directory assistance costing the district \$97.46. The district should be sure to provide telephone books, as well as make the staff members aware that telephone numbers are available online.

Recommendation:

The district could reduce the number of directory assistance calls by providing additional telephone directories, as well as through the use of online telephone directories. In addition, if directory assistance is necessary, employees should be directed not to use operator-handled directory assistance calls.

Cost Savings: \$1,103

Telephone bills were a concern of the board according to the district's minutes of January 23, 2001. Reducing personal telephone bills could be accomplished by negotiating a reimbursement plan with the education association in which the district provides two telephone numbers (one in each school) for staff use, which would require that all calls, except those with district exchanges, are reimbursed by the teachers. If any calls were left unclaimed, the association would reimburse the district.

Recommendation:

The district currently bills its staff members for personal calls. However, to reduce personal telephone call costs, the district should originate policy relating to reimbursement to the district for personal telephone calls. Alternatively, the district in agreement with the education association could assign the two telephones presently in the faculty rooms of each school to be used for employee personal calls. The staff could reimburse all telephone calls made outside the local area. The education association could be obligated to reimburse the district for all unclaimed calls outside the local area.

There are four coin telephones in the district, three in the middle school and one in the elementary school. The cost for rental of equipment and service is \$49.25 per month for each of the three coin telephones. The cost for the fourth coin telephone is approximately \$23.00 per month. The telephone company pays an approximate commission of 4% based upon the number of daily calls, if 15 or 20 calls are made per day. With this in mind, the district could eliminate two of the coin telephones in the middle school to reduce costs and to attempt to increase usage of one telephone in order to receive a commission.

Recommendation:

The district pays for four coin telephones in the district. Three of the coin telephones are in the middle school. The district should consider eliminating two coin telephones in the middle school building to reduce telephone costs.

Cost Savings: \$1,182

There is one pager in the district used by a maintenance staff member. The fee for the pager is \$83.40 annually. The district purchased three walkie-talkie units approximately three years ago. There are no further costs involved with these units. The district does not own any cell phones. However, records indicated that as specified in her contract the superintendent was reimbursed \$185 for use of her privately owned cell phone for school business during the 2000-01 school year.

Internet service provider costs totaled \$21,337 for the 1999-00 school year and \$14,856 for the 2000-01 school year.

Recommendation:

The district should investigate the purchase of telecommunication services (Internet access, long distance telephone service, etc.) through the NJ Association of School Business Officials Alliance for Competitive Telecommunications (ACT). ACT is a statewide telecommunications buying consortium. ACT reports an average saving throughout New Jersey school districts of 13.5%, which would be approximately \$3,400 in Lincoln Park's case.

Cost Savings: \$3,400

The records indicating how many telephones, Centrex and telephone lines, faxes, modems, and alarms were incomplete. The telephone equipment purchase files could not be located. It would be advisable to keep up to date any files in the central office relating to the telephone system.

Recommendation:

The district should update its records depicting the number and location of all telephone lines and that these records be on file in the business office.

Photocopier

The Lincoln Park School District owns one-photocopier and lease/purchases eight photocopiers that are located within its school buildings. The elementary school has two photocopiers, plus one copier in the special education office that is located within that building. The middle school has three copiers, one each in the principal's office, in the media center and in the teachers' room. The adjacent central office contains two photocopiers and the maintenance department has one photocopier in the Chapel Hill School. The district is continuously engaged in lease/purchase arrangements with vendors for procurement of photocopy equipment. These arrangements normally run for three to five years, after which the cost of the photocopiers are paid off and they become district-owned photocopiers. The district is paying more than 10% interest for procurement of five photocopiers and 6% for three photocopiers.

The district uses a state maintenance contract to maintain its photocopiers. The district pays a flat fee of \$19,800 for maintenance charges that cover the printing of 1.5 million copies. For additional copies, the district pays \$.0145 for each copy. The maintenance fee includes parts and supplies for the equipment, with the exception of paper and staples.

The district's photocopiers produce approximately 169,000 copies a month (based on 10 months). Two photocopiers that produce less than 1,000 copies month are located in the board office and middle school media center.

In October, 2000, the Lincoln Park superintendent obtained legal guidance regarding the district's lease/financing on photocopying equipment. There were seven separate agreements with three firms over a period of 36 months. Under the laws and regulations in New Jersey, lease/purchase agreements for equipment are subject to competitive bidding. However, four of the agreements were under the applicable bid threshold in effect at the time the contract was entered. Of the three agreements that exceeded the bid threshold, one vendor replaced the original equipment through a state contract. The district was advised that two of the lease/purchase agreements for equipment had to be declared void *ab initio*. The district was advised to notify the leasing companies of that fact and to remove the photocopiers from the district.

In September, 2001, the review team was informed that the two photocopiers in question were still in operation in the district but the district was not making payments. Without making any assumptions about potential litigation or the positions of the parties on this matter, since the copiers are in operation in the district the review team in analyzing photocopy costs for comparison purposes will utilize the original dollar amounts in the agreements as presented in the following table:

Copier	Term	Payment per Month	Annual Cost
Savin 9945	60 months	\$240*	\$2,880
Savin 9945DP	60 months	\$312*	\$3,744
Savin 9013	36 months	\$42	\$504
Savin 9013	36 months	\$49	\$588
Savin 9130Z	36 months	\$49	\$588
Savin 9965DR (2) **	60 months	\$875 (both)	\$10,500
Savin 9935DPE **	60 months	\$228	\$2,736
Total Cost		\$1,795	\$21,540

*Payments withheld.

**Replacement photocopiers.

The State of New Jersey has in place a cost-per-copy contract, which is available for school districts' use, whereby, the customer contracts for photocopies, not photocopiers. The contract was awarded to various primary and secondary vendors throughout the state, based upon the anticipated number of monthly copies required, and is intended for copiers making, on average, less than 100,000 copies per month. Under this arrangement, the vendor provides the customer agency with a copier for its use. The agency or school district does not rent, lease or buy the copier, but actually purchases only the photocopies. All equipment, parts and supplies, with the exception of paper and staples, are included in the monthly fee. Users guarantee vendors a minimum amount of copies per month called bandwidth and pay a per copy charge for excess usage. Districts are upgraded to the latest technology every three years.

In order to compare the cost-per-copy produced by the districts' owned photocopiers vs. the state cost-per-copy contract; the team conducted a comparative analysis as shown in the following

table. The team assumed the usage life for each photocopier to be seven years while the maintenance cost remained stable each year. As indicated in the following table, the district could save about \$15,800 annually if the district would use the state cost-per-copy contract. The savings would be even greater if a five-year useful life was established for the photocopy equipment.

Photocopy Cost Comparison	Five-Year Usage Life	Seven-Year Usage Life
Lincoln Park Total Copies	8,458,090	11,841,326
Lincoln Park Lease/Purchase Agreement		
Total Cost for Copiers	\$104,340	\$104,340
Basic Maintenance Cost	\$99,000	\$138,600
Maintenance Overage Cost	\$13,892	\$19,449
Total Cost	\$217,232	\$262,389
District's Total Cost-per-Copy	\$0.02568	\$0.02216
State Cost-per-Copy Contract		
Cost-per-Copy Contract Segment 3, Savin Band	\$0.01280	\$0.01280
Total Cost Based on Segment 3, Savin Band	\$108,263.55	\$151,568.97
Multi-Year Saving with Segment 3, Savin Band	\$108,968.75	\$110,820.25
Yearly Savings	\$21,793.75	\$15,831.46

Recommendation:

State cost-per-copy contracts could represent significant cost savings for the district over lease/purchase agreements. Even though the district is in the middle of its lease agreement, it is recommended that the district eventually replace its lease/purchase contract with cost-per-copy contracts for annual cost savings of about \$15,800. The team believes that savings could be greater if the district would determine anticipated photocopy needs and select the appropriate capacity equipment to meet those needs. Selection of the number and model(s) of photocopy equipment should be based upon the history of usage in each location.

Cost Savings: \$15,800

INSTRUCTION

The Lincoln Park School District provides educational services within the district for grades K-8. The district pays tuition to send high school students to Boonton High School. Recently, the district had two elementary schools for grades K-5 and one middle school. A successful October, 1995 referendum permitted the district to expand two buildings and to reorganize into one K-4 elementary school and one 5-8 middle school in September, 1998. The unoccupied elementary school was leased for five years to a private special education school.

The Elementary School

The school is comprised of two buildings, an older structure and a newer section that was opened three years ago. Hallways through an outside courtyard connect the buildings at two locations to

complete a rectangular corridor structure. The original building houses grades three and four in separate wings, as well as music, art and special education classrooms. The gymnasium and separate cafeteria are connected to the back of the structure. The 1998 section houses kindergarten, grades one and two and special education classes. The media center and adjacent computer laboratory are located at one end of the new facility.

The elementary school is located on a site of about six acres with extensive grounds and elevated terrain in the background. This environment is conducive for students to experience nature. There is a horticultural program in which students plan and participate in landscaping the school grounds.

Reportedly placing all of the children in grades K-4 in one school has been a very positive development for the district. Any issues with equity of curricular offerings, technology availability or condition of facilities have been mitigated by the reorganization. In addition, it has made the transition to the middle school more uniform.

This single-story building contained three regular kindergarten classes, one pre-school class and a kindergarten class of learning-disabled students. There were five classes each of the first through third grades and four fourth grade classes. There are learning disability (LD) classes for grades 1-2 and 4. It is anticipated that another 4th grade class will be added next term, which will necessitate relocating the BSI and instrumental music programs to other areas than the room currently used.

The elementary school had an enrollment of 559 on the day of the onsite visit, which is slightly lower than the 1999-00 figure of 570. Although the school's average class size (21.0) is less than the state average, the ratio of students to faculty is above the state rate (14.7 v 13.3:1) according to the 1999-00 New Jersey School Report Cards. In the grade four Elementary School Proficiency Assessment, the district's general education students scored well above the state's figure for the combined advanced proficient and proficient categories for language arts, mathematics and science for 1999-00.

The school is staffed by a principal, nurse, guidance counselor and media specialist, plus a secretary and secretarial assistant. There are 35 teachers, five specialists and 10 instructional assistants.

The district provides a primary enrichment program focusing on critical/creative thinking. This is a one-hour weekly developmental activity that prepares students for entry into the high enrichment program (HEP). The program is implemented in the 3rd through 5th grades to enhance student's skills and to stimulate their participation in a wide range of competitive developmental activities with gifted and talented students from other school districts. All students are also exposed to a character education and development program, which is funded by a grant.

The district conducts an hour-long Saturday enrichment program for a six-week period for all grade levels. Participants pay a fee to be involved in the program. There is also a tuition basis elementary summer school academic program for remedial and special education students, as

well as enrichment activities in several areas. The sessions are held on mornings throughout the month of July. Family math/computing is offered as an evening program for grade one through four students and their parents.

The school has a very active parents-teacher organization with over 400 paid members. Over \$9,000 has been donated to sponsor assembly programs and other activities for the benefit of the students. Parent volunteers help out in the library and other areas as needed.

The Middle School

Students are afforded the opportunity to continue their education at the district's middle school for grades 5-8. The current middle school building was a K-5 elementary school for 35 years. It currently houses 445 students in grades 5-8. The fifth and sixth grade students are located in a separate section of the 1959 building, while grades seven and eight grades are departmentalized and organized into instructional teams. The school has a lunchroom in an older part of the building and a gymnasium in the newer section. There is a double-loaded hallway, which forms an inner square of classrooms around a small outdoor courtyard. The music/band room, a state of the art technology laboratory, media center and computer laboratory are all located along one perimeter. Academic classrooms and two science laboratories are located along the opposite side of the structure. Fifth and 6th grade students use the computer laboratory and the 7th and 8th graders utilize the computer mini-lab. Both Spanish and French are offered in the world languages program.

The school has block scheduling with 75-minute periods for the 7th and 8th grades, while the 5th and 6th grades are on regular schedules. The homeroom arrangements for grades seven and eight are quite unique as all teachers for these grade levels in the building, including art, music, physical education, etc., have a homeroom class of nine to 12 students. This allows for small homeroom classes, which enables each teacher to interact with students on an individual or small group basis. As of May 31, 2001, the fifth grade enrollment was 119 students (six classes), 106 students in 6th grade (five classes), 102 students in 7th grade (10 classes) and 118 students in 8th grade (10 classes). In the academic classes, there are generally five sections at each grade level.

According to the 1999-00 NJ School Report Card, the students per faculty member were 11.2 vs. the state average of 13.3. According to these comparisons, Lincoln Park Middle School has 16% more teachers than the state average. District policies and practices tend to promote smaller class sizes. The Lincoln Park Middle School student administrator ratio was 213:1 compared with a state average of 318.8:1. A more complete analysis of administrative staffing is contained in that section of this report.

The 1999-00 NJ Report Card data indicates that the school had 4.5 students per computer compared with the state average of 5.9:1. All classrooms are wired for Internet access. A number of new computers were budgeted for 2001-02, which will allow for several units to be moved from the computer laboratories into classrooms.

The NJ Report Card also indicated the length of the 1999-00 school day as six hours and 15 minutes, which was eight minutes less than the state average. The amount of instructional time at five hours and 20 minutes was 12 minutes less than the state average. As noted in the

collective bargaining section of this report, the school hours in both the elementary school and middle school had an increase of 15 minutes of instructional time added to the workday of the teachers in 2000-01.

A school newspaper, *The Echo*, is published quarterly and a newsletter is prepared each month to foster communication with parents. The PTA has been very active and involved in supporting the school, especially in the area of cultural arts. They were also instrumental in providing the school with a science weather station.

Instructional Costs

In the DOE Comparative Spending Guide, March, 2001, among the 92 K-8 school districts with enrollments of 750+ students, the Lincoln Park School District ranked 63rd in total classroom instructional per pupil costs of \$4,976 in 1999-00, compared with a statewide K-8 per pupil average of \$4,657 and a median of \$4,850. Lincoln Park ranked 62nd in classroom salaries and benefits with per pupil costs of \$4,701 compared with a statewide average of \$4,399 and a state median of \$4,553. Classroom salaries include the amounts paid to district personnel for regular, special education, basic skills, bilingual and other instructional programs. It includes the salaries and benefits of teachers, substitutes and aides. Classroom general supplies and textbooks ranked 54th at \$213 per pupil, compared to a K-8 state average of \$215 and a median of \$216. Classroom purchased services ranked 67th at \$61, which is more than the K-8 state average of \$44 and the median of \$46 per pupil.

Instructional costs are determined primarily by: 1) the number of staff, and 2) the salary levels/fringe benefits that are provided by the district. Salary levels and fringe benefits are discussed under the collective bargaining section of this review.

According to the NJEA Research Bulletin A00-1/March, 2001, Basic Statistical Data, 2000 Edition, the Lincoln Park School District professional staff members per 1,000 pupils were 89.0 in 1999-00 compared to a state K-8 median of 84.9 and an average of 84.4. Also, in the Comparative Spending Guide March, 2001, the Lincoln Park student/teacher ratio was 13.5 compared to a state K-8 average of 13.8 and an average for the three comparable districts of 14.0. This indicates that in 1999-00 Lincoln Park had two to four percent more teachers than the benchmark comparisons. This finding is consistent with the frequently expressed desire by school officials to maintain reasonably small classes.

Co-Curricular Activities

The middle school has a student council, an annual yearbook and a school newspaper. The elementary school reportedly does not have any such activities. The district per pupil cost at \$53 is the second highest among the four comparison districts. The salary account is substantially higher than the three other districts.

Co-Curricular Activities	Lincoln Park	Hillsdale	Ringwood	Shamong
Salaries	\$51,892	\$20,286	\$35,649	\$45,109
Purchased Professional Services	\$0	\$0	\$0	\$278
Supplies and Materials	\$88	\$0	\$0	\$5,765
Other Objects	\$0	\$0	\$3,729	\$77
Total Co-Curricular Activities	\$51,980	\$20,286	\$39,378	\$51,229
Cost Per Pupil	\$53	\$17	\$29	\$55

Athletics

The middle school offers its students opportunities to participate in the following sports: girls' field hockey and softball plus cross-country, soccer and cheerleading, which are co-ed. There is baseball for boys and basketball for both boys and girls. Where appropriate, the school competes against other area schools on a scheduled basis. Based upon available data, the district's program per pupil costs @ \$15 are lower than two of the comparison districts are. The third district did not report any activity in this area.

School Sponsored Athletics	Lincoln Park	Hillsdale	Ringwood	Shamong
Salaries	\$8,100	\$18,818	\$0	\$17,995
Purchased Services	\$3,763	\$2,200	\$0	\$2,550
Supplies and Materials	\$3,160	\$0	\$0	\$3,270
Other Objects	\$0	\$0	\$0	\$746
Total School Sponsored Athletics	\$15,023	\$21,018	\$0	\$24,561
Cost Per Pupil	\$15	\$18	\$0	\$26

It should also be noted that the budgeting and accounting for co-curricular and athletic activities in some K-8 school districts might not be very consistent. The review team combined the totals of the two accounts to calculate the per pupils costs as Shamong-\$81, Lincoln Park-\$68, Hillsdale-\$35, and Ringwood-\$29. The Lincoln Park expenditures were 42% above the \$48 average for the three other districts.

Health Services

Each school has a full time certified nurse who performs the normal tasks associated with this position. Nurses report to their respective school principals. The district's health services per pupil cost is next to the lowest for the comparison districts and is lower than the average cost for these districts.

Health Services	Lincoln Park	Hillsdale	Ringwood	Shamong
Salaries	\$118,114	\$155,203	\$181,241	\$78,851
Purchased Prof. and Tech. Services	\$233	\$7,180	\$0	\$3,200
Other Purchased Service	\$0	\$0	\$0	\$77
Supplies and Materials	\$2,304	\$2,199	\$4,572	\$1,425
Other Objects	\$93	\$0	\$0	\$333
Total Health Services	\$120,744	\$164,582	\$185,813	\$83,886
Cost Per Pupil	\$122	\$141	\$138	\$90

Guidance

The district has a guidance counsel assigned to each school. The DOE Comprehensive Plan for Educational Improvement and Financing (May, 1996) set forth guidelines for the number of students to be effectively served by an individual counselor. At the elementary level the ratio is 1:500 and for a middle school it would be 1:337. The district has one counselor to 559 at the elementary school and one to 445 at the middle school. To meet the DOE guidelines, the middle school would need an additional one-third (32%) counselor. The district's cost per pupil of \$96 is the second lowest cost in comparison with the three other comparative districts and nearly on par with the \$100 per pupil average cost of the three districts.

Guidance	Lincoln Park	Hillsdale	Ringwood	Shamong
Salaries of Professional Staff	\$93,776	\$125,854	\$77,544	\$120,135
Other Salaries	\$24	\$0	\$0	\$32
Other Purch. Professional/Technical Serv.	\$0	\$0	\$2,663	\$0
Materials and Supplies	\$696	\$0	\$0	\$1,442
Other Objects	\$0	\$0	\$0	\$1,342
Total Guidance	\$94,496	\$125,854	\$80,207	\$122,951
Cost Per Pupil	\$96	\$108	\$60	\$132

It should also be noted that the provision of a principal and vice principal for a middle school with an enrollment of 445 students exceeds the DOE guidelines for administrative staffing. Consequently, the review team concludes that overall staffing is reasonably close to the guidelines.

Educational Media Services

Each school is wired with Internet access and a fully automated catalog system. An assistant and parent volunteers assist the media specialist. The elementary school has approximately 13,750 books, while the middle school has 8,400 books on its shelves. The library program is geared to supplement the educational offerings in sync with the state's core curriculum standards. The school media center computers are connected to more than 25 libraries throughout the county. The environment of the media centers is very good due to attractive surroundings and a wide range of materials to meet student and staff needs. The district's media services program has a lower per pupil cost (\$169) than two of the comparison districts.

Media Service/School Library	Lincoln Park	Hillsdale	Ringwood	Shamong
Salaries	\$114,777	\$168,294	\$288,015	\$105,502
Purchased Prof. and Tech. Services	\$7,496	\$16,016	\$0	\$5,587
Other Purchased Service	\$2,161	\$0	\$0	\$8,995
Supplies and Materials	\$37,754	\$18,749	\$16,245	\$17,140
Other Objects	\$4,768	\$11,965	\$0	\$129
Total Media Service/School Library	\$166,956	\$215,024	\$304,260	\$137,353
Cost Per Pupil	\$169	\$184	\$226	\$148

Professional Development

During the 1999-00 school year, a total of \$38,425 was spent on staff professional development. Out of district workshops and courses were directly related alignment of the curriculum and instruction with the NJ Core Curriculum Content Standards and school objectives that focuses on

student discipline, student portfolios, assessment of the major content areas. The district has provided significant opportunities for professional staff to prepare to meet the 100-hour requirement by the NJ Department of Education.

In-district courses that were offered by turnkey trainers in 1999-00 included:

- Curriculum Compacting: How to Adapt Curriculum for Different Types of Learners.
- Teaching and Learning through Multiple Intelligences.
- Windows 95.
- Using Web Sites to Enhance Classroom Instruction.
- Diversifying Instruction to Meet the Needs of All Students in Your Class.
- Assessment Practices.
- Incorporating the Internet into Lesson Plans and Activities.

One in-service credit was granted to teachers for every 10 hours completed.

There was central office administrative and secretarial staff training on transportation software. In addition, parents were in attendance on eight dates on 10 sessions on topics such as Chicago Math and Open Court, Language Development, Internet Safety, and Occupational Therapy/Physical Therapy.

English as a Second Language (ESL)

Because the total number of Lincoln Park students designated as Limited English Proficient (LEP) is greater than nine, but there are fewer than 20 with the same native language, the district has implemented an English Second Language program, or ESL. The director of special services prepares the budget and all mandated reports, oversees the program implementation, and supervises the ESL staff. At the time of the LGBR visit, two full-time ESL teachers were assigned to the elementary school. A middle school teacher, who was appropriately certified in both areas, spent one period daily providing ESL instruction and the remainder of the day as a resource teacher serving students with disabilities.

Enrollment of Limited English Proficient students in the district is displayed below by grade for the three most recent school years. Those listed for October are from that year's Application for State School Aid (ASSA), while the Spring 1999 data are from the district Bilingual/ESL Three-Year Program Plan, 1999-02. It is noteworthy that enrollment in ESL throughout the school year is more variable than overall district enrollment. For example, while there were only two LEP students in the middle school grades indicated on the ASSA from October, 2000, there were seven students from those same grades in the ESL program at the end of the 2000-01 school year.

LEP Students By Grade Level			
	Spring 1999	10/1999	10/2000
PRE-K	0	0	0
K	9	9	9
1	18	21	14
2	10	13	12
3	4	6	6
4	3	3	4
5	3	4	0
6	1	1	1
7	1	1	1
8	1	1	0
TOTAL	50	59	47

As described in Lincoln Park's program plan, the general aim of ESL is to assist students with English language acquisition, acculturation, and academic achievement. Goals include helping students develop effective and appropriate communication skills applied to school, home, and community; enhancing students' self-esteem and motivation; providing basic literacy skills; and assisting students in all academic content areas. Coordination between regular classroom teachers and the ESL staff occurs through meetings of teachers to discuss lesson plans for the upcoming week. Alignment of the district's ESL curriculum with the New Jersey Core Curriculum Content Standards and the national T.E.S.O.L. (Teachers of English to Speakers of Other Languages) standards, which are endorsed by the New Jersey Department of Education, has been ongoing through regular staff development activities.

Students are identified as eligible for ESL services in Lincoln Park based on their scores on the Language Assessment Battery (LAB). Progress in English proficiency is measured using the same instrument, as well as report card grades, standardized tests administered to all students, a holistically scored written essay, reading performance, and classwork. A student's readiness to exit the ESL program is determined by a variety of indicators, including all those mentioned previously plus teacher judgement. During the 1999-00 school year, a total of fifteen students successfully met the criteria to move fully into the regular education program. That figure represented nearly one-third of the 48 participants in the ESL program that year. Most (13) of the students who exited ESL accomplished that goal by the end of their third year in the program, according to the district's Bilingual and ESL Program Evaluation Summary. An indication that parents are satisfied with the program is that none declined enrollment for their children in ESL.

The duration and focus of ESL instruction in the Lincoln Park schools vary with grade level. In kindergarten, students receive 30 minutes of ESL daily outside their regular classroom. The emphasis of the program is on whole language learning, vocabulary and sentence development, conversational skills, and phonetics. From grades 1-4, students attend ESL as a pullout program daily for 60 minutes. In addition to the objectives for kindergarten, written expression, cultural awareness, and comprehension are given greater emphasis in subsequent elementary grades. Middle school students attend ESL class for a total of 187 minutes per week, while also taking a

full load of regular courses including English. Following the block schedule format adopted by the district for grades seven and eight, students in those grades are seen for 75 minutes of ESL every other day. ESL students from any grade with a weakness in mathematics may also receive tutoring in that subject through the basic skills program. All students participate with their classmates in enrichment activities, field trips, electives, library programs, technology lessons, and school social events.

Expenditures

As depicted in the following table, ESL expenditures in the district have remained stable, with less than 5% growth over the three years shown. Teacher salaries accounted for more than 98% of the program expenditures from local funds each year.

Lincoln Park ESL Expenditures	1997-98	1998-99	1999-00
Salaries, Teacher	\$125,266	\$127,966	\$129,646
Purchased Professional/Educational Services	\$0	\$0	\$150
Other Purchased Services	\$0	\$0	\$0
General Supplies	\$1,717	\$275	\$576
Textbooks	\$0	\$472	\$178
TOTAL	\$126,983	\$128,713	\$130,550

Source: District Comprehensive Annual Financial Reports (CAFR's), 6/99 & 6/00.

Of the four districts used for comparative purposes, Lincoln Park had the highest expenditures for Bilingual/ESL programming and the highest state categorical bilingual aid. On both those indicators, Lincoln Park was more than double that of the second ranked district. One of the other districts had no expenditures listed in this program area for two years and no bilingual aid for one of the years.

Comparison: Bilingual/ESL - Local Expenditures & Bilingual Aid				
District	Expenditures	Bilingual Aid	Expenditures	Bilingual Aid
	1998-99	1998-99	1999-00	1999-00
LINCOLN PARK	\$128,713	\$56,202	\$130,550	\$64,467
Hillsdale	\$42,784	\$17,632	\$58,095	\$18,096
Ringwood	\$11,693	\$6,612	\$11,817	\$3,451
Shamong	\$0	\$0	\$0	\$2,262

Source: Districts' Comprehensive Annual Financial Reports (CAFR's), 6/00.

Based on the New Jersey School Report Card for 2000, data from the four districts indicate that only Lincoln Park, with 6%, and Hillsdale, with 1-2%, reported measurable numbers of LEP students. The other two districts showed less than 1% each for LEP counts in the district. Thus, Lincoln Park's total expenditures for ESL programming appear to be reasonable. They are serving a population that is 3-4 times larger than the second ranked district for twice the program cost. The relative impact on the local contribution, deducting the state bilingual categorical aid, is even more pronounced, as Lincoln Park provides its program for approximately one and a half times the cost to local taxpayers, making it a very cost-effective operation by comparison.

Basic Skills/Remedial

Students with academic weaknesses, as determined by various state assessments and district-administered standardized testing, receive remedial instruction through the basic skills program. Supervision of this district program and staff shifted from the director of special services to the individual building principals after the 1999-00 school year. Also at that point, a fundamental change in the program began, with a greater emphasis on instruction by certified teachers rather than by “basic skills assistants.” That shift in direction increased program flexibility, as both pullout and in-class services became options. During the 2000-01 school year, three full-time teachers and two basic skills assistants provided the instruction for Lincoln Park students who required remediation. One teacher and both assistants were assigned to the elementary school, while the other two teachers were assigned to the middle school. This was a significant change from prior years, when there were basic skills assistants but no teachers providing remedial instruction.

Funding for program staff came through a combination of local resources and the district’s allocation under Title I, one component of the consolidated application for the Federal Improving America’s Schools Act (IASA). Both schools in the district were designated as Title I-eligible, since there is no overlap in grades. In addition to activities during the school year, the district used Title I funds to operate a summer basic skills program.

To identify students in need of remedial instruction, the district relies on scores from the New Jersey Statewide Assessments and commercial standardized tests, including the Comprehensive Test of Basic Skills, or CTBS. According to the three-year program plan submitted by the district in 1998, students are assigned to the basic skills program based on their performance on the test administered at that grade level, as well as on recommendations of teachers, parents, administrators, or special services staff.

In the elementary school, students in grades two through four received pullout instruction from the basic skills teacher in-groups labeled as reading, language, reading and language, and mathematics. According to the schedule provided, the teacher met with some groups one day per week and others as many as three days, depending on the number of areas needing remediation. The basic skills assistants were assigned to provide instruction in communications and/or mathematics within the regular education setting, based on the needs of the identified students in that class.

In the middle school, students were scheduled for basic skills every day for half a period or every other day for a full period, depending on the time of the class. One teacher was assigned to grades 5th and 6th, while the other teacher worked with students in grades 7th and 8th. Both teachers addressed all basic skills subjects.

Participation of Lincoln Park students in basic skills during the 2000-01 school year is shown below by grade and subject area:

Grade	Communication	Mathematics	Unduplicated
2	16	5	18
3	9	8	15
4	15	5	17
5	13	11	13
6	10	8	13
7	24	7	25
8	39	26	44
TOTAL	126	70	145

Source: District Records.

Expenditures

According to the district's Comprehensive Annual Financial Report (CAFR) for the 1999-00 school year, the only local funds expended for basic skills/remedial programming consisted of \$704 for general supplies. No other line item expenditures appeared under that departmental designation. Title I is another funding source generally used by districts for this type of instruction. Lincoln Park's Title I funds, according to the IASA application for that year, were primarily allocated to the salaries and benefits of five basic skills instructional assistants and teachers' salaries for a summer basic skills program. The remainder was for a portion of secretarial salaries. Thus, funding for the balance of salaries of the aides assigned to basic skills classes was included in other account areas of the CAFR.

In an attempt to explore this issue in greater detail, the district's payroll records from the 1999-00 and 2000-01 school years were reviewed. A number of accounts, including those usually associated with secretarial and clerical positions and those for regular instruction (as opposed to basic skills/remedial) programs were used to pay the salaries of the basic skills staff. Those findings made it difficult to draw inferences concerning the costs per pupil for basic skills programming, and it also means that conclusions regarding regular instruction costs must take into consideration that inconsistent assignment of funds.

Recommendation:

To reduce confusion and to increase the accuracy of accounting with regard to staff assignments and payroll records, LGBR suggests that the district establish or refine its procedures to indicate the funding source(s) for staff salaries and benefits. Especially in the case of personnel with split funding, this action would help in monitoring revenues and expenditures. Although it is no longer a requirement for basic skills programs, the practice of listing annually in board minutes the departmental staff, including a breakdown of the salaries and funding source(s) for each person, is one way of accomplishing that objective.

Special Education

Lincoln Park directly provides services for all students with disabilities from preschool through the eighth grade (or age 14 for students in ungraded programs). Upon reaching the high school level, students become the responsibility of the Boonton High School District under the terms of a sending/receiving agreement between the Lincoln Park and Boonton boards of education. The agreement addresses both regular education students and those with special education needs.

Communication between the superintendents of the two districts, as well as between the respective child study teams, is required at specified times during each school year to inform the high school administration and staff of the anticipated number and program needs of students entering the ninth grade. A separate “memorandum of understanding,” which details responsibilities relative to “special education” students, is added to the sending/receiving agreement. Consultation with the Lincoln Park child study team is required when tuition placement (outside of Boonton High School) of a student from the district is being considered. A representative of the Lincoln Park child study team is to be included in meetings at which such decisions are reached.

Special education programs are organized under the director of special services, who also oversees the district gifted and talented programs (HEP), guidance department, English-as-a-Second Language (ESL), Student Assistance Counselor (SAC), Intervention and Referral Services (also known as Pupil Assistance Committee). That administrator also serves as the Affirmative Action Officer and the liaison to the Division of Youth and Family Services, as well as to community mental health agencies. Clerical services are provided by one full-time, 10-month secretary, and one part-time secretary, whose schedule is flexible, allowing the days to be assigned as needed during the year.

As of December, 2000, the special education instructional staff in the district consisted of five resource teachers, seven self-contained class teachers, one preschool disabilities class teacher, and ten instructional aides. Other professional staff members included one school psychologist, one school social worker, one full-time and one part-time (0.6) learning disabilities teacher-consultant, and two speech-language specialists. With the exception of two additional aide positions, those staffing levels were largely unchanged since December, 1998.

There is an active special education parent support group in the district. One of their ongoing activities is the preparation and distribution of the “Parent Information Exchange,” a publication with items of current interest, that is printed approximately every other month.

The Lincoln Park Board of Education contracts with the Morris County Educational Services Commission to provide child study team evaluations, speech-language services, and supplemental instruction to students placed by their parents in private or parochial schools. Funding through Chapters 192/193 supports those activities. The Morris County Educational Services Commission also transports district students who require busing to special education programs.

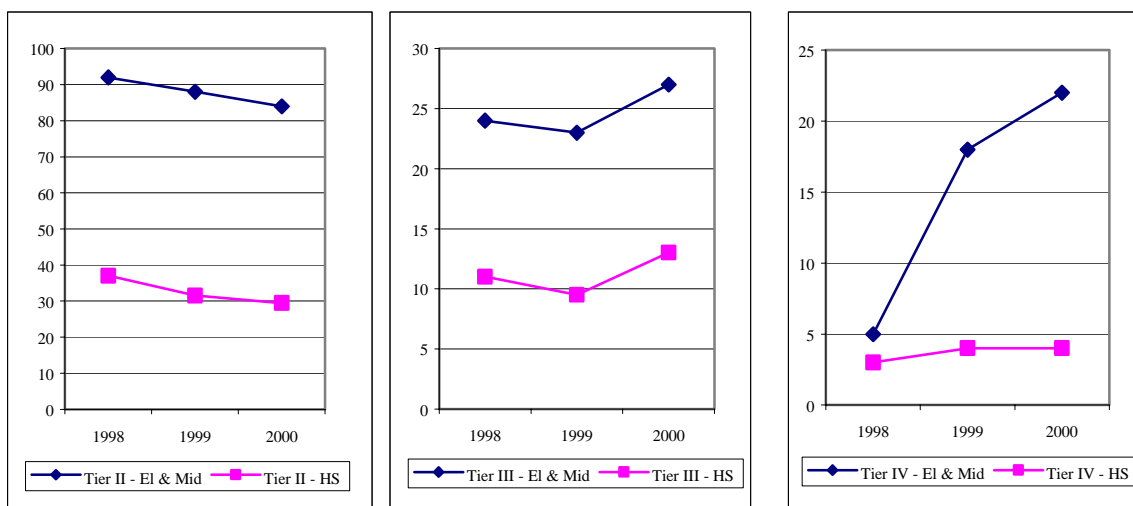
The resident students with disabilities in Lincoln Park, from the district’s Application for State School Aid (ASSA) for the most recent three years, are summarized below according to the New Jersey Department of Education “tier” system. Used to determine state special education categorical aid to school districts, the tiers provide a general index of the severity of disability. Tiers II, III, and IV relate to a student’s special education classification category or program needs. Tier I is not shown; that designation includes a duplicate count of students listed in one of the other tiers and receiving related services, as specified in their IEP. (Students placed in a County Special Services School District, in a Regional Day School, or in a State Facility are not included in these totals.) High school students are included, as they are represented in the

district's resident enrollment on the ASSA. While the overall number of students in the tiers grew by 4%, the total of high school students declined slightly while the total of elementary and middle school students increased.

Index of Disability	October 1998	October 1999	October 2000
Tier II- Elementary	47.0	34.0	45.0
Tier II- Middle	45.0	54.0	39.0
Tier II - High School	37.0	31.5	29.5
Tier III – Elementary	16.0	10.0	14.0
Tier III – Middle	8.0	13.0	13.0
Tier III - High School	11.0	9.5	13.0
Tier IV – Elementary	3.0	17.0	21.0
Tier IV – Middle	2.0	1.0	1.0
Tier IV – High School	3.0	4.0	4.0
TOTAL	172.0	174.0	179.5

Source: Application for State School Aid (ASSA).

The following three charts show the above data by the district with direct responsibility for the students. Overall, the patterns are very similar, with a decrease in the number of students in Tier II and stability in Tier III noted on both charts. The only difference is in the relative proportion of students in Tier IV. At the high school level, the number is fairly small and stable, while at the lower level (labeled “El & Mid”) there was a significant increase, from five to 22 students, over the three-year period. The primary reason for that growth was the number of elementary level students who required year-round special educational services through an extended school year program.



In relation to the comparison group of four districts, the percentage of students in Lincoln Park classified by the child study team was the highest in each of the years depicted in the following table. The proportion increased over the period shown, as it did in two of the other districts. Lincoln Park was the only district of the four to exceed the statewide average on this measure. However, when the district ASSA data are disaggregated, separating high school students from the younger students, there is a difference of more than 2% in the rate of classification by the

child study team, with the high school age group reflecting a greater percentage. For the 2000-01 school year, that rate was 15.8% in the high school group, as opposed to 13.3% in the elementary and middle school population.

	Resident Enrollment					% Child Study Team Classified				
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
Lincoln Park*	1,274	1,289	1,297	1,311	1,315	13.2	13.4	14.0	13.8	14.2
Hillsdale	1,111	1,112	1,112	1,150	1,177	9.4	9.7	10.0	10.7	11.9
Ringwood	1,383	1,351	1,410	1,371	1,411	10.9	11.1	11.3	12.0	12.2
Shamong	948	964	939	927	918	11.6	11.1	11.3	10.8	11.2
State Average						12.0	12.1	12.4	12.8	13.2

*Includes students in grades 9-12 sent to Boonton High School.

Source: Department of Education, Office of Special Education Programs.

Child Study Team and Related Services Staff

A basic child study team consists of a school psychologist, a school social worker, and a learning disabilities teacher-consultant (LDT-C). During the 2000-01 school year, the Lincoln Park Board of Education employed one full-time professional in each position on a ten-month basis and one additional part-time LDT-C. In addition to conducting assessments of students who are, or who may be, eligible for special education, child study team members act as case managers for the students. Case management assignments in the district are based on a student's grade level and program placement. Child study team members also provide related services for students, as required by the IEPs, and they deliver consultative services to the district staff.

The ratio of professionals in those positions to students, using data from the New Jersey Department of Education, Office of Special Education Programs, was slightly lower than the statewide averages for school psychologist and school social worker, and significantly lower for LDT-C. It should be noted, however, that the district did reduce the school psychologist positions from 1.2 to 1.0 during the 2000-01 school year.

Other staff responsible for diagnostic evaluations and services to students with special education needs included two full-time speech-language specialists to provide speech as a related service to students classified by the child study team. That population totaled 69 students on the district's Annual Data Report of December, 2000. The speech-language specialists also assess students with suspected disability of articulation, voice, or fluency, and they work with students who are classified as "eligible for speech-language services." There were 12 additional public school students shown in that category on the Annual Data Report. Students were seen for speech-language services individually or in small groups. One group met weekly for "oral motor training." Whole class lessons were used with one of the self-contained special education classes at the elementary level. When compared with the December, 2000 statewide ratio of total students receiving speech to speech-language specialists, the ratio in Lincoln Park was slightly lower, with 41 students per professional, as opposed to the state average of 48 students per professional.

Occupational therapy, physical therapy, and other related services required to meet students' educational needs, as stipulated in the IEP, are arranged on a case-by-case basis through private agencies or professionals.

Special Education Programs

Special education programs in Lincoln Park included resource programs and self-contained classes. If a student's needs cannot be met appropriately within the district, placement on a tuition basis is considered through the process of developing an individualized education program (IEP). As of October, 2000, all but eight students at the elementary or middle school level were placed in district programs, accounting for 94% of the total of students with disabilities in those grades.

Resource Programs

Resource programs allow students with disabilities to spend a substantial portion of the school day integrated with non-disabled peers and to experience the regular education curriculum to the extent appropriate. Students may be instructed in a separate classroom or within the regular class, depending on their IEP. This program option was available in all Lincoln Park Schools at the time of the LGBR visit. For the 2000-01 school year, there were five resource teachers and 58 individual students assigned to that type of program. Most of the students (65%) were seen in multiple settings, involving a combination of in-class and pullout services.

District Self-contained Classes

At the time of the LGBR visit, there were seven classes labeled as learning and/or language disabilities in the Lincoln Park Schools, four in the elementary school and three in the middle school. In addition, there was a preschool disabilities program, with two half-day sessions. A total of 78 students, including 70 district residents and eight students placed on a tuition basis by other districts, were reported as enrolled at the end of the 2000-01 school year. Enrollment and staffing for those classes is shown in the table below. Where combining grades was feasible, the class consisted of multiple levels. Aides were assigned where required by the New Jersey Administrative Code (NJAC 6A:14) because of the number of students in the class, or as stipulated in the student's IEP in the case of individual aides.

School	Program Type	Grade Range	No. Students	Aide	1 to 1
L.P. Elementary	PD (A.M.)	PreK	7 (3 tuition)	1	
L.P. Elementary	PD (P.M.)	PreK	5 (1 tuition)	1	
L.P. Elementary	LLD	Kindergarten	8 (1 tuition)	1	
L.P. Elementary	LLD	Grades 1-2	6	1	1
L.P. Elementary	LLD	Grade 3	10 (1 tuition)	1	
L.P. Elementary	LLD	Grade 4	7 (1 tuition)	0	2
L.P. Middle	LLD	Grade 5	10	1	
L.P. Middle	LLD	Grade 6	10	1	
L.P. Middle	LLD	Grades 7-8	15 (1 tuition)	1	

PD-Preschool Disabilities; LLD-Learning and/or Language Disabilities.

Revenue generated by the tuition for students from other districts helped support these programs. As of October, 2000, eight students from six neighboring districts attended special education programs in Lincoln Park. For the 1999-00 school year, Lincoln Park received \$105,545 in tuition, an increase of \$17,291 over the tuition revenue from the prior year. The district belongs to the Twin Rivers Special Education Consortium, a group of six districts that share information

about available seats in members' special education classes and also jointly plan and provide staff development activities. Using that resource helps encourage the placement of students from other districts in Lincoln Park special education classes.

Out-of-District Placements

During the 2000-01 school year, there were 28 students (eight at the elementary/middle school level, 20 at the high school level) placed in programs outside the district to meet their special education needs. Of that total, 13 attended public schools, including regional day schools and state facilities, and 15 attended private special education programs. A summary of the tuition and other program costs, including extended school year programming, for those students indicates that private school placements average \$4,682 more than the public placements.

Expenditures

As indicated in the following table, special education expenditures from local funding grew by 31% between the 1997-98 and the 1999-00 school years. While the district's classroom instructional costs remained stable, and related services (such as speech-language services) rose slightly, a dramatic increase was seen in tuition paid for special education placements. In fact, nearly 80% of the rise in total special education expenditures can be attributed to increased tuition costs, including those associated with extended school year programming. Yet, with the majority of placements being high school students, Lincoln Park is limited in its ability to control those expenses or to provide alternatives at lower cost. To the extent feasible, the district is making efforts to establish and expand its own programs in order to minimize the number of students requiring other placements.

District Special Education Expenditures	1997-98	1998-99	1999-00	% Change
Total Special Education Instruction	\$857,817	\$867,707	\$858,990	0%
Special Education Tuition	\$560,451	\$705,351	\$1,059,887	89%
Related Services	\$90,995	\$94,370	\$95,762	5%
Child Study Team	\$285,355	\$323,859	\$377,748	32%
Special Education Transportation	\$250,961	\$221,153	\$294,673	17%
Total Local Expenditures, Special Education	\$2,045,579	\$2,212,440	\$2,687,060	31%

Source: District Comprehensive Annual Financial Reports, 9/99 & 6/00.

IDEA

Each year, the Lincoln Park district applies for its full allocation of Federal flow-through funds under the Individuals with Disabilities Education Act (IDEA). The district typically uses that funding to support additional costs associated with special education.

For FY 2000, the district designated its IDEA Basic flow-through funds (\$139,416) for salaries of child study team staff and for instructional materials used with students attending nonpublic schools. The IDEA Preschool grant for FY2000, in the amount of \$9,825, was used toward the salary and benefits for a speech-language specialist assigned to the preschool disabilities program. For FY 1999, the district spent 100% of its allocated IDEA funds as planned.

Special Education Medicaid Initiative

The Special Education Medicaid Initiative, (SEMI), offers an opportunity for districts to file claims and increase revenue by receiving payment for certain services to eligible classified-students. Psychological counseling, nursing services, physical therapy, occupational therapy, speech/language services, and various evaluations are among the reimbursable activities.

At the time of the LGBR review, Lincoln Park was not enrolled in the SEMI program. Although Medicaid reimbursements cannot be precisely calculated, districts with a similar number of eligible students, based on projections from the New Jersey Department of Education, have realized annual revenue between \$1,000 and \$8,800 through participation in the SEMI program. Therefore, it is recommended that the district revisit its position with regard to involvement in the program for its potential revenue. At the very least, a questionnaire to parents of students with disabilities who are also eligible for free lunch might indicate whether there is sufficient response to warrant further action by the district.

Another program linked with Medicaid that might bring additional revenue to the district is Early and Periodic Screening and Diagnostic Treatment (EPSDT). School districts can receive payments for administrative expenses associated with a wide range of diagnostic and other health-related activities performed by school personnel. While Lincoln Park was not participating in that program when the LGBR review was being prepared, the district should explore this avenue as a potential revenue enhancement.

Recommendation:

District officials should investigate the SEMI and EPSDT programs as potential sources of added revenue through Medicaid reimbursements. Efforts should be made to survey parents/guardians of students with disabilities to determine the current number of students who might be eligible for enrollment in the Medicaid program. If a substantial number are identified, the district is advised to contact the SEMI/EPSDT Coordinator in the New Jersey Department of the Treasury, Division of Administration, for direction and support regarding participation in those programs. If current staffing is insufficient to maintain the records needed to comply with program requirements, it is likely that the revenue generated would support a part-time clerical position to accomplish that task.

BUSINESS OFFICE OPERATION

The business office is located adjacent to the Lincoln Park Middle School where the business administrator/board secretary and the business office support staff are housed. The business office staff consists of a secretary to the business administrator/board secretary, a part time (four days per week) payroll/personnel clerk responsible for payroll and employee benefits, and a bookkeeper that handles accounts payables and receivables. The business administrator had been in the district for only one year and terminated his employment while the team was doing this review. In addition, the payroll/personnel clerk terminated her employment as the team

began its review. The district was in the process of replacing the personnel. The comparisons of Lincoln Park's costs with those in other school districts are contained in the administrative section of this report.

Fixed Assets

The district contracts with an appraisal company to record its fixed assets for insurance and inventory purposes. It is the responsibility of a maintenance staff member to tag new equipment as it is received and to record additions and deletions of equipment for purposes of notifying the appraisal company. It is unclear who advises the maintenance staff member of new equipment received. The review found that the district has a software program that includes a fixed asset module as indicated above and is not being utilized. The program is regularly updated by the software company and will comply with the new regulations for implementation of GASB34. The software stores information by acquisition date, location, asset number or manufacturer. The program provides detailed reports on demand, tracks asset disposal, and integrates with the district's accounting system.

The auditor's findings in the CAFR ending June 30, 2000, indicated that the general fixed asset records were not updated during the school year. Records indicate that the Chapel Hill School's fixed assets were not inventoried in the 1999 appraisal, building additions were not included in the appraisal, and previous land improvements were omitted in subsequent reports. Corrections were made. However, as a preventive measure for the future, the business office should initiate procedures for tracking additions and deletions of equipment, building additions, and land improvements including reviewing the appraisal reports annually.

The computer software program purchased by the district supports the following functions:

- financial information including budget preparation, purchasing, cash receipts and disbursements, general ledger;
- payroll and personnel; and
- fixed assets.

The computer program has the capability of being "site based," which would allow district personnel to view specific line-item account expenditures and balances on their computers. Although the bookkeeper provides personnel budget detail reports regularly, it would be more efficient for personnel to be able to view this information on an as-need basis. Also, this feature would allow requisitions to be entered on-line from remote locations, allow electronic authorization, and allow printing in the school or board office. This would alleviate the bookkeeper from duplicating work (typing information into the system after the school staff types the order). The "site based" feature has a one-time cost of \$750 and a monthly fee for support dependent upon how many users are involved.

Recommendations:

The district should initiate procedures for tracking additions and deletions of equipment, buildings, and land improvements, as well as reviewing the appraisal reports for accuracy.

The computer software has capabilities that the district is not utilizing. The module is able to store fixed asset information, provide detailed reports, and integrate with the district's accounting system. The district's Management Report on Administrative Findings for the school year ending June 30, 2000, indicated that the fixed asset records were not updated for the additions and disposals of fixed assets made during the year. Using the existing software would enable the district to maintain accurate records.

District officials should consider the purchase of the "site based" feature that can be added to the existing software. The added feature has a capability to allow staff members to remotely originate requisitions for purchase and allow personnel to view line item accounts. A one-time charge of \$750 would be required along with an annual support fee of approximately \$600. This feature would eliminate duplication of effort in the business office.

**One-time value Added Expense: \$750
Annual Value Added Expense: \$600**

Policy and Procedure Manuals

The district's office policy and procedure manuals provide general information about specific operations and minimize the uncertainty of transition when personnel changes occur. The team reviewed the policy manual, which was updated regularly. In 1996, the district contracted with an outside consultant company to update its existing policy manual along with administrative regulations. Annually, the consulting company provides the district with support services and policy alerts. The cost of this service for the 1999-00 and the 2000-01 school years were \$2,250 and \$2,275, respectively. A total of 25 policy manuals are distributed to board members, the superintendent, board attorney, teachers association, media centers in each school, administrator's offices and special services. Periodically, a secretary reprints all policy manuals to ensure that all are updated with revised or new policies. The board's policy committee meets on a regular basis to review and update policies. Some school districts have personnel maintain their policy manual on an ongoing basis, thereby eliminating the need for a secretary to spend approximately two weeks of work reprinting policy manuals.

Recommendation:

Personnel assigned a policy manual should be able to maintain it in proper order by keeping it updated with current policies and regulations as distributed by the business office. It is time consuming for a secretary to review the manual when it is not kept up-to-date and costly when additional substitute staff are needed.

Job descriptions list the responsibilities of each district position. The job descriptions are filed in the front of the district's policy manuals. The job descriptions were reviewed and found complete, well organized, and updated in accordance with the district's policy #1400.

There were no internal procedure manuals detailing the responsibilities of each task, i.e., payroll, accounts payable, purchasing. Such a manual would be beneficial to new, as well as all experienced, employees in the business office. In a relatively small district, it would be most

beneficial for the continuity of work in the event of a support staff member absence or termination. Each staff member should be required to write procedures to carry out tasks to be placed in a manual.

Recommendation:

A procedure manual should be developed detailing the duties and responsibilities of each business office position and department. Upon completion, the manual should be made available to each central office employee. Procedures should be reviewed and updated periodically.

Cross-Training and Filing

Although the business office personnel have been in the district a short time, they have been cross-trained to some extent to enable operations to continue when key employees are absent. The bookkeeper has performed payroll duties and one of the administrative secretaries has performed bookkeeping duties. The business administrator also performed payroll and bookkeeping duties when needed. However, in daily operations the review team encountered a somewhat rigid division in secretarial functions and a limited understanding of other business office activities.

The review team found that the district personnel could not readily produce various contracts and files, i.e., the purchase of the telephone system, copier contracts, a few bank statements, and the bond files. It is advisable that all contracts and important documents be filed in a central location for easy reference, preferably in the business office.

Recommendation:

District school officials should consider a review of the structure and location of files in the business office. All contracts and important documents should be filed in a central location as a safe archive and for ready access. All business office personnel should be familiar with the filing system.

Surplus/Budget

Surplus is the amount of money held in reserve and remaining when current year revenues have exceeded expenditures. A deficit occurs when expenses exceed the amount of revenues plus any prior year carry over of surplus of funds. In accordance with state law, public school accounts cannot go into deficit. Surplus is included in a district's budget in order to provide funds for emergencies or other unanticipated expenditures which are beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA) 18A:7F1 through 18A:7F-34, which became effective December 20, 1996, established a maximum allowable undesignated surplus of 6%. In accordance with N.J.S.A. 18A:7F-7, excess surplus that is over the allowable maximum shall be appropriated or returned to taxpayers. The state does not

stipulate the minimum amount of surplus a district should maintain. However, the district must anticipate its cash flow needs throughout the year, as expenditures may vary from month to month and revenues are not always received on a timely basis.

A district's ability to estimate surplus accurately is strongly predicated on success in establishing internal controls and sound budgetary procedures. Implementation of these procedures can ensure adequate budgetary and financial controls during the year and accurate accountability at year-end. When significant budget and accounting data deviations from original estimates occur, management can be alerted and corrective action can be instituted.

Tracking trends in revenue, expenditure, and annual surplus can assist districts in estimating surplus accurately. When district personnel prepare the budget, they know fairly precisely the amount of revenue the district will receive for the upcoming year. Over the past three years (1997-98 through 1999-00), local taxes provided approximately 84% and state financial aid 12% to 13% of the total revenue for the general fund. Tuition and interest revenues provided less than 1% of the total general fund revenue for the past three years. Miscellaneous revenue provided approximately 2%. The following table illustrates the district's revenue distribution in the general fund during the past three years.

General Fund	1997-98		1998-99		1999-00	
	Actual	%	Actual	%	Actual	%
Local Tax Levy	\$10,118,519	83.3%	\$10,253,540	83.8%	\$10,938,293	84.8%
Tuition	\$58,129	0.5%	\$88,254	0.7%	\$105,545	0.8%
Interest	\$108,042	0.9%	\$72,448	0.6%	\$68,971	0.5%
Miscellaneous	\$281,938	2.3%	\$224,328	1.8%	\$180,899	1.4%
State Aid*	\$1,574,706	13.0%	\$1,603,587	13.1%	\$1,598,643	12.4%
Total Revenue	\$12,141,334	100.0%	\$12,242,157	100.0%	\$12,892,351	100.0%

Sources: Districts' CAFR *excluded pension and social security contributions.

Over this period, the local tax revenues received by the district were exactly the same as those budgeted, except for tuition, interest and miscellaneous. The district's local tax levy increased \$819,774 or 8% in the past three years. The district projected tuition revenue of \$50,000 for school year 1997-98, 1998-99 and 1999-00, but it actualized \$58,129, \$88,254 and \$105,545, respectively. State aid was under estimated by the amount of \$174,060 or 12.8% in school year 1998-99 and \$213,128 or 15.39% in 1999-00. The district projected interest on investment of \$25,000 for school year 1998-99 and \$100,000 for school year 1999-00, but it actualized \$72,448 and \$68,971. A big variance between projected and actual revenues indicates that the area may need more accurate attention during budget preparation.

Approximately 45.6% of Lincoln Park Township School District's 1999-00 expenses were for salaries. Except during contract renewal years, the district should be able to determine, with reasonable accuracy, the budgeted amount needed for salaries. However, salary estimates can often be higher than actual expenditures as a result of resignations, retirements, etc., which may occur after the budget has been adopted. The other 54.34% of the general fund budget are more variable, although budget projections can be reasonably determined through the use of multiyear contracts, purchase agreements and by examining the trends in prior revenues.

The following table illustrates the difference between the district's budgeted and actual revenues, expenditures, and surplus in the general fund for school years 1997-98, 1998-99 and 1999-00.

	1997-98			Chg. in %	1998-99			Chg. in %	1999-00			Chg. in %
	Budget	Actual			Budget	Actual			Budget	Actual		
Local Tax Levy	\$10,118,519	\$10,118,519	0.00%		\$10,253,540	\$10,253,540	0.00%		\$10,938,293	\$10,938,293	0.00%	
Tuition	\$50,000	\$58,129	16.26%		\$50,000	\$88,254	76.51%		\$50,000	\$105,545	111.09%	
Interest on Investment		\$108,042	100.00%		\$25,000	\$72,448	189.79%		\$100,000	\$68,971	-31.03%	
State Aid*	\$1,574,706	\$1,574,706	0.00%		\$1,429,527	\$1,603,587	12.18%		\$1,385,461	\$1,598,643	15.39%	
Miscellaneous	\$151,000	\$281,938	86.71%		\$175,000	\$224,328	28.19%		\$175,000	\$180,899	3.37%	
Total Revenue	\$11,894,225	\$12,141,334	2.08%		\$11,933,067	\$12,242,157	2.59%		\$12,648,754	\$12,892,351	1.93%	
Total Expenditures	\$12,828,414	\$12,560,967	-2.08%		\$12,745,237	\$12,561,637	-1.44%		\$12,958,395	\$12,706,066	-1.95%	
(O)/U Expend	-\$934,189	-\$419,633	-55.08%		-\$812,170	-\$319,480	-60.66%		-\$309,641	\$186,285	160.16%	
Other Finance Source	-\$157,971	-\$112,971	-28.49%		-\$38,904	-\$38,904	0.00%		\$33,189	\$33,189	0.00%	
Surplus or (Deficit)	-\$1,092,160	-\$532,604	-51.23%		-\$851,074	-\$358,384	-57.89%		-\$276,452	\$219,474	179.39%	
Beg. Fund Balance	\$1,333,554	\$1,333,554	0.00%		\$800,950	\$800,950	0.00%		\$442,566	\$442,566	0.00%	
Ending Fund Bal.	\$241,394	\$800,950	231.80%		-\$50,124	\$442,566	-982.94%		\$166,114	\$662,040	298.55%	
Fund Bal./Total Exp.	1.88%	6.38%			-0.39%	3.52%			1.28%	5.21%		

Sources: The districts' CAFR.

*Excluded TPAF pension and social security contributions.

In 1997-98, to fund \$12 million in projected expenses, the board appropriated \$1 million from its \$1.3 million surplus balance, leaving a projected surplus of \$241,394 (1.88% of the projected general fund budget amount). According to the CAFR, the district under-spent the budget by \$419,633, which should generate a surplus of \$913,921. However, in the same year the district brought in \$44,946 from debt service and transferred out \$157,917 to the capital project fund, and as the result, the surplus fund balance decreased from \$913,921 to \$800,950 or 6.38%. For the 1998-99 budget, the board appropriated \$851,074 from surplus and estimated a deficit surplus balance of \$50,124 at the end of the school year. However, by the conclusion of the budget year the district has realized savings of \$442,556. This generated an actual surplus balance of 3.52% of the budgeted expenses. During the 1999-00 budget, the board estimated a \$166,114 surplus, but instead actualized \$662,040 or 5.21% surplus.

Based on the past three years surplus fund balance, the district is consistently closing the school year with a greater surplus than estimated. A 3.5% surplus would provide sufficient reserve to handle unforeseen expenses. Therefore, the district should consider reducing the amount of money requested during the budgeting process whenever surplus fund exceeds 3.5%. To reduce the variance between the budgeted and actual surplus, the district needs to improve its budgeting techniques and monitor its spending more closely.

Recommendation:

District officials should consider developing a policy statement regarding the desired amount of annual surplus balances, perhaps in the 3% to 4% ranges. Such guidelines could result in more accurate annual estimates of budget revenues, expenditures and surplus balances.

Cash Management

The business administrator handles the cash management functions. During the 2000-01 school year, the district maintained six different accounts for general operating purposes. This included the general fund account, the payroll and payroll agency accounts, the unemployment trust account, the flexible spending account, and the business office petty cash account. The general fund account also included the balances of the special revenue fund and the debt service fund. In addition, the district has a student activity account, a petty cash for athletics account, and a food service account.

Included in the monthly analysis statements are the general fund, capital project fund, payroll and payroll agency accounts, the student activity account and the flexible spending account. Not included in the analysis are the unemployment trust account, food service account, and the petty cash accounts. The flexible spending account is used for deposit of employees' contribution of their share of benefits under IRS Section 125. The capital projects account was closed December, 2000, at which time, the district made its final payment for a construction project.

The district solicited proposals for banking services in the 2000-01 school year. The present banking proposal specifies that interest will be paid on the net available balance after the average float, the 10% reserve requirement, and the balance required for charges for services is deducted. The district's bank sends the analysis statements to the district each month. A review of the monthly bank analysis statements indicated that the bank did not remove the capital project fund from the analysis when it was closed. This caused the district to be charged a monthly maintenance fee for a closed account against its earnings credit. Even though this was an insignificant amount, the account should be removed from the bank's analysis.

Recommendation:

The district should review its banking proposal in order to be aware of the services the district is receiving, what costs are charged to the district, and to determine the accounts that should be included in the bank analysis. The bank deducted a maintenance fee charge against the earnings credit for a closed account. A routine review of the monthly bank analysis statements should be completed to insure that account information is correct and up to date.

Cash Flow Procedures

The team could not determine if any procedures existed in the past for monitoring the district's cash flow. Online banking is available on the bank's web site. However, the district has not made use of this valuable banking tool. The utilization of on-line banking allows the administration to monitor its cash flow on demand. Other uses of the online banking could motivate the district to utilize this feature. For example, the district experienced problems with several transfer requests to the bank, which were not made in a timely manner. On-line access to accounts to view bank statements and balances and to make transfers between accounts would eliminate this problem. Another example, on-line access would enable the business administrator to review balances on a regular basis for the purpose of investing monies into higher yield investments.

Recommendation:

The district should originate procedures for monitoring cash flow. Also, district officials should consider utilizing on-line banking to monitor cash flow, to make transfers when needed, and to review balances for the purpose of investing monies in higher yield investments.

Investments and Interest Earnings

In the 2000-01 school year, the bank's interest rates on its operating accounts included in the bank analysis ranged from a high of 6.00% towards the beginning of the school year and dropped to a low of 3.43% at the end of the school year. The interest for all accounts included in the analysis were posted to the general fund account. The review team compared the banks' average interest rate with the NJ Cash Management Fund (NJCMF) and the Treasury bill. The bank's average interest rate was 5.33%, NJCMF was 5.78%, and the Treasury bill was 5.07%. The district received a good rate of interest from its bank during the first half of the school year. However, the spread between the district's bank and NJCMF rates widened at the end of the school year to a 1% difference.

Although the interest rates were slightly higher, NJCMF and Treasury bills do not provide the banking services, such as check-writing privileges, that are required to conduct the district's business on a daily basis. In contrast, the district does not receive interest on its entire bank balance, but on the net available balance, as calculated on the bank analysis as explained above.

The team compared the amount of interest received by the district bank accounts to the amount the district could have received if funds were deposited in the NJCMF. Consideration was given to the fact that the school district must keep funds available to meet monthly obligations. Revenues were received and expenditures cleared the bank on a fairly regular schedule. By monitoring its funds throughout the month, the district could determine the amount of funds that are not required for daily operations. These "idle" funds could be invested in certificates of deposit (CD's) or maintained in a NJ Cash Management Fund Account at slightly higher rates.

A review of the daily balances of the general account revealed that the balance never fell below \$594,273. This was the amount of idle cash that could have been invested. Approximately 75% of the time, the daily balance was over \$1 million and occasionally was over \$2 million. The district would have earned \$4,760 more in interest if it had invested the idle funds into NJCMF throughout the school year.

Recommendation:

The district should keep abreast of current interest rates in the competitive market. District officials should invest excess funds where it will receive optimum earnings. The district should monitor funds throughout the month to determine the amount of money that could be invested in a higher yield investment vehicle. By investing its excess funds into NJCMF, the district could have earned slightly more interest.

Revenue Enhancement: \$4,760

Cafeteria Account

The cafeteria account funds are deposited in a non-interest-bearing checking account. The district is charged a fee for verifying deposits from student sales based upon the time spent by the bank teller. The fees were \$.60 per minute and totaled \$71.40 for the school year. Interest could have offset these fees.

Petty Cash

The district has two petty cash accounts, one for the board office and one for athletics. The petty cash funds are deposited in a non-interest, bearing checking account. On several occasions the account was overdrawn. The bank billed the district overdraft charges and maintenance fees. In some cases, the bank credited back the charges; in other cases, the district was charged. The charges for the 2000-01 school year that were not credited back to the board's petty cash account were \$90 in overdraft charges and \$37 in maintenance fees, a total of \$127. District officials reported that the petty cash funds have been increased in order to prevent overdrafts from occurring in the future.

Recommendation:

The petty cash account was overdrawn on several occasions and charged an overdraft fee. Closer monitoring of accounts should be made a priority to prevent any accounts from being overdrawn. In some cases, the fees were refunded to the district. The bank reported that the unreimbursed fees would be credited to the district.

Cost Savings: \$127

Chapel Hill Security Account

The district leases a vacant school building and the contract requires investing the security deposit into an interest-bearing account. The bank statements are received and interest is calculated quarterly. In the 2000-01 school year, the beginning balance in the account was \$15,181 and the interest earned through the year totaled \$231 at a yield rate of 1.2% to 1.71%. By investing these funds into NJCMF, the district could have received approximately \$722 more than in its current account. It is noted that the interest does not belong to the district but to the leasee.

Recommendation:

The district could have yielded higher interest rates for the security account by investing the monies into the NJCMF.

Revenue Enhancement: \$722

Treasurer of School Monies

According to N.J.S.A. 18A:17-34, 35, and 36, the treasurer holds in trust all Local Educational Agencies (LEA) moneys, keeps a record of all monies received and expended, and reports to the board monthly giving a detailed account of all receipts and expenditures. This mandated position provides a control mechanism with the district records. The report of the treasurer (Form A-149) is a summary of cash activity of all accounts by fund.

The district's treasurer is also the treasurer of the municipality of the Borough of Lincoln Park. The treasurer was employed July 1, 1998 at an annual salary of \$4,800. According to district records, additional duties were assigned and the salary was increased in the 1999-00 school year to \$5,200. No increase in salary was given in the 2000-01 school year. A contract for the 2001-02 school year indicates an annual salary of \$5,408.

The district employed an assistant treasurer for the 2001-02 school year at an annual salary of \$500. There are no job descriptions on file listing the treasurer's and assistant treasurer's duties and responsibilities. The district should review the need for the assistant, as it is unusual having more than one person in this position.

The treasurer receives the monthly deposits and expenditure registers from the district and the bank statements from the bank to reconcile the accounts to the bank statements. In many instances, the treasurer reports are approved three months after the month's end. In addition, it was noted that in the 2000-01 school year, the July, August and September reports were revised. The October report was approved twice. The second October report was revised and should be noted in the minutes.

Recommendations:

District officials should originate a job description of the treasurer's duties and responsibilities. The procedures should be reviewed to determine if the reports could be completed within a two-month period.

It is unusual for a district to employ an assistant treasurer to deposit funds or sign checks. If injury, illness, or other event hampers the performance of the treasurer, the district has the following option according to Title 18A:17-31, treasurer of school moneys; who to act. This statute requires the school treasurer to be the custodian of the municipal moneys, unless the board of education designates the tax collector. If these municipal officials do not wish to serve, the board has the option of appointing another person as treasurer.

Purchasing

The review team began the analysis by examining the district's purchasing procedures. Written procedures are an efficient way to ensure that the district meets legal requirements, completes required forms and processes them in a uniform and timely manner.

The Lincoln Park School District's purchasing procedures are outlined in board policy. The policy prohibits purchase orders from being placed until the superintendent has determined whether the purchase is subject to bid, whether sufficient funds exist in the line item account, and whether the goods are available elsewhere in the district. It is the school business administrator's responsibility to commit expenditures and guard against over-expenditures in budget line items or project categories. According to board policy, the board encourages cooperative purchasing in order to seek savings for the district.

As purchase orders are originated in various offices, it would be advisable for the district to have a purchasing manual to assist employees in following correct purchasing procedures according to

New Jersey Public School Contract Law and board policy, and to promote efficient practices. Each staff member involved with the purchasing process should have a copy of the manual to refer to as needed. The Administrative Findings for the school year ending June 30, 2000 indicated that certain payments were made in excess of the statutory threshold amounts and that payments were made prior to the receipt of goods and services. Although, according to the district records, corrective action was taken, a manual to outline procedures would be beneficial to the district staff.

The computer program used for purchase orders and accounting functions is part of the administrative computer system that also serves the district for payroll, personnel, and fixed assets. The annual fees for the 2000-01 school year were \$16,111, which included \$4,668 for software support, \$5,779 for the lease of the personnel/payroll software, and \$5,664 for monthly maintenance of the server and printer. The software lease payment for the personnel/payroll was the final payment of a three-year lease. The accounting and fixed asset software programs were fully paid previously.

The district processes approximately 1,500 purchase orders annually. The procedures are outlined as follows:

Issuance of Purchase Orders: Purchase orders are issued at each school and authorized by the school principal. The board office issues purchase orders for the administrative office, board office, and maintenance department. All purchase orders are then reviewed and signed by the superintendent and business administrator. The bookkeeper enters pertinent information on the computer program and a number is assigned at that time.

Receiving Goods: The receiving copy of the completed purchase order is returned to each school or department for checking and recording goods and supplies as they are received. After an order is checked in, copies of the purchase order and packing slip are returned to the board office for processing for payment.

Payment of Bills: Bills are prepared for payment when all goods are received and invoices are reviewed. A bill list is generated from the computer system for presentation to the board. Bills are paid once a month after board approval at regularly scheduled board meetings.

The bookkeeper regularly distributes budget reports to each principal and departments allowing them to review expenditures and balances in accounts for which they are responsible.

Employees are not allowed to order goods for personal use; however, the district has no policy that addresses this issue. It would be sensible to originate policy that specifies that the district is not responsible for unauthorized purchases.

Reviewing the detailed budget report, the team found many items posted to incorrect accounts. Specifically, travel reimbursements were found in the professional services and supply accounts, fees and registrations were found in travel accounts, supplies were found in professional services and other object accounts.

Recommendation:

A review of the 2R2 Chart of Accounts should be conducted for all staff members responsible for originating, reviewing, and authorizing purchase orders.

Purchasing Jointures/Cooperatives/State Contract:

Various purchasing methods are used to ensure a good value for the district. Depending upon the item to be purchased, the district bids or receives quotes for items, joins government purchasing cooperatives, and purchases from State contract. This district is a member of the Morris County Educational Services Commission (MOCESCOM) who provides the member districts with many services. Membership fees are based upon resident enrollment. Lincoln Park School District is assessed \$.30 per student, or \$393.75 annually. The school district participates in several cooperatives with MOCESCOM:

Purchase of School Supplies – fee of \$4,500 (see below);

- Health and Environmental Safety Services – fee based upon number of buildings - \$4,292.35 (see below);
- Application processing for reimbursing parents for aide in lieu of transportation to nonpublic schools – fee of \$15 per applicant, \$1,410; and
- Transportation Services - this will be further discussed in the transportation section of this report.

School Supplies: The district participates in a cooperative through the (MOCESCOM) for the purchase of school and office supplies, copy paper, athletic, art, and custodial supplies. In the 2000-01 school year, the district ordered approximately \$90,000 of various supplies. The district paid an administrative fee 6% of its prior year estimated orders, or \$4,500, to MOCESCOM to coordinate these purchases. MOCESCOM transfers 20%, or \$900, of the fee to a private cooperative service that bids for these supplies. The private cooperative service reported a saving of over \$36,000. The review team compared pricing from various sources and found that the cooperative serves its constituents well.

Health and Environmental Safety Services: The district participates in a cooperative with MOCESCOM who provides various services to area school districts such as facility audits, consultations relating to indoor air quality and compliance with asbestos related matters, and training. Training sessions include subjects as Right-to-Know, bloodborne pathogens, fire extinguisher, lockout/tagout, and other required subjects. The fee is based upon the district's employees and number of buildings. The district paid \$4,128.50 in the 1999-00 school year and \$4,292.35 in the 2000-01 school year for its share of services.

Electric and Related Services: The district purchases its electricity and related services from its local utility. Since the deregulation of this utility, the Alliance for Competitive Energy Services (ACES) formed by the New Jersey Association of School Business Officials bids for this service. Most recently, alternative suppliers have not been able to compete with the utilities' rates, which are capped and regulated. ACES new program, ACES Solar for Schools Program, helps districts

obtain solar generation equipment to decrease its utility costs and at the same time use the system to provide educational opportunities for students in areas of math, physics, ecology, and science. Energy grants and school bonds are sources of funding for this type of purchase.

Gasoline: The district purchases unleaded gasoline for board-owned vehicles from the Borough of Lincoln Park. The borough purchases unleaded gasoline through state contract, billing the school district for usage. The district's cost for gasoline during the 2000-01 school year was \$484.

Recommendations:

District officials should establish policy to address district personnel who purchase goods without approval or for personal use. The policy could include that the district is not responsible for purchases made outside the approved manner and that any purchases not approved according to policy become the personal obligation of the purchaser.

District officials should originate a purchasing manual to assist employees in following correct purchasing procedures according to New Jersey Public School Contract Law, to follow board policy, and to promote efficient practices. Each staff member involved with the purchasing process would have copy of the manual for reference as needed. A sample manual is available on the New Jersey Association of School Business Official's web site: www.NJASBO.com.

All district personnel responsible for preparing budgets and purchasing goods and services should be knowledgeable about coding expenses according to the chart of accounts as outlined in the CEIFA Budget Guidelines. This training could be conducted in house at no cost to the district.

LGBR recommends that the district investigate the NJ School Boards Association ACES Solar for Schools Program to incorporate solar electric power in its buildings and renovation plans. Information may be obtained through the web site, www.NJSBA.com.

Although the district purchases its supplies at competitive prices, the district should also consider comparing the prices offered from the NJ Department of the Treasury's Distribution and Support Services. Supplies and materials are available to state agencies at prices typically 30% lower than many sources and certain items may be priced quite competitively.

Long Term Debt

According to the 1999-00 Comprehensive Annual Finance Report (CAFR), the district had general obligation bonds outstanding in the amount of \$6,890,000. The bonds funded construction of an addition to and upgrading of the existing facilities. The original amount of bonds issued was \$8,590,000. The date of issue was April 1, 1996 for a term of 20 years at an interest rate of 5.30%. The CAFR indicated that the only funding source was local tax levy funds in the amount of \$807,714. The previous year, the district received \$70,092 in debt service aid.

The bonds have a call premium of 102% on April 1, 2006, 101% on April 1, 2007, and 100% on April 1, 2008. The refunding of bonds at this time does not produce the recommended 3% savings in present value. Depending upon economic conditions and interest rates, the district should revisit the issue of refinancing at a future date, particularly when the bonds become callable.

Grants

The administration of grants is divided among two staff members. The Individuals with Disabilities Education Act (IDEA) grants and Improving America's Schools – Consolidated Grant are administered by the special services director. The Improving America's Schools Consolidated Grant includes Title I Part A, Title II – Eisenhower Professional Development State Grants (IKE), Title IV – Safe and Drug-Free Communities Act, and Title VI – Innovative Education Program Strategies. The special service director is also involved with the financial aspects of the grants. The state education grants for the district include the Distance Learning Network Aid and Instructional Supplemental Aid. The district superintendent administers those state grants.

In the 1999-00 school year, the Lincoln Park Township school district was awarded \$243,371 in federal grants and \$98,154 state restricted grants. The following table contains the grants received in the last three years:

Lincoln Park	1999-00	1998-99	1997-98
Federal Grants			
Title I, Part A, Basic	\$77,662	\$77,662	\$77,662
Title II, Math/Science - IKE	\$3,836	\$3,597	\$2,783
Title IV-Drug-Free Schools & Communities Act	\$3,569	\$4,713	\$4,087
Title VI, Innovative Ed. Prog. Strategies	\$4,201	\$3,900	\$3,307
Title VI, Class Reduction Size	\$4,862	\$0	\$0
IDEA Part B, Basic, Regular	\$139,416	\$122,436	\$108,800
IDEA Part B	\$9,825	\$11,185	\$11,160
Total Federal Grants	\$243,371	\$223,493	\$207,799
State Grants			
Distance Learning Network Aid	\$53,886	\$53,259	\$53,693
Instructional Supplemental Aid	\$44,268	\$43,848	\$44,687
Total State Grants	\$98,154	\$97,107	\$98,380
Total Grants Awarded	\$341,525	\$320,600	\$306,179

Eligibility for Title I grant monies, is determined by the at-risk population as a percentage of the district's total enrollment. However, the monies can be spent only in those schools that are eligible because of their high numbers of at-risk population. The district received \$443.78 per pupil based upon a low income of 175 pupils for a total of \$77,662,

The IDEA building Capacity Grant was available for the 1998-99 and 1999-00 school years, but was no longer available for the 2000-01 school year.

The district received Instructional Supplemental Aid and Distance Learning Network Aid. Instructional Supplemental Aid is based upon the number of low-income pupils as a percentage of the total district's enrollment, approximately 12.59% in Lincoln Park. The district received \$357 for each low-income pupil in the district (124) totaling \$44,268. Distance Learning Network Aid is allocated to districts based upon the actual resident enrollment on October 15th of the prior year. The district received \$42 per pupil for a total of \$53,886, which funded the purchase of computer equipment.

Various grant monies are awarded for a period extending past June 30th, after the close of the CAFR reporting period. Therefore, unspent grant monies are deferred and spent after the school year ends. A review of grant funds expended during the 1999-00 school year is denoted in Exhibit C-2 of the CAFR, which includes previous years' unspent, carryover funds. The district expended \$244,010 in federal funds and \$111,593 in state funds. Unexpended grants may be returned to the grantor if not spent within the designated grant calendar as prescribed in the program guidelines. In school year 1999-00, no funds were returned to grantors in that time period. The district makes a concerted effort to expend all monies from grants and state aid in the same year they are allocated.

District personnel should frequently visit (click on "grants") the New Jersey Department of Education web site, www.state.nj.us/education, and the United States Department of Education web sites, www.ed.gov/inits.html and www.ed.gov/funding.html, for current information on available grant programs. These web sites provide excellent sources of information for schools to determine those additional grants for which they may qualify.

SERVICE CONTRACTS

Lincoln Park legal expenses were about 3.5 times as much as the average legal cost of the three comparison districts. The following table provides a comparison of the legal costs in 1999-00 of the four school districts.

General Administration	Lincoln Park	Hillsdale Borough	Ringwood Borough	Shamong Township
CEIFA Function 230	Morris Co.	Bergen Co.	Passaic Co.	Burlington Co.
Legal service	\$93,663	\$4,917	\$41,248	\$30,440

At the time of the team review, four attorneys were working on separate projects or functions for the district. The board of education attorney fees were recorded as \$31,835, which appears to be within a reasonable range. However, litigation fee expenses were budgeted as \$15,000, and the actual expenses were \$61,828. In 2000-01, the legal cost increased further with \$78,645 for the board attorney and \$42,000 for other litigation. There have been differences with other parties regarding:

- terms of the lease of the Chapel Hill School;
- sending-receiving relationship with Boonton, including the tuition billing and representation on the Boonton school board;

- claims by a school construction contractor;
- specifications and installation of school roofing materials by a contractor; and
- suits and counter-suits with two former central office employees.

Recommendation:

The Lincoln Park legal services expenses have been above average for several years, with \$71,455 cost in 1997-98, \$61,992 expense in 1998-99, \$93,663 for legal bills in 1999-00 and \$120,645 in 2000-01. Some of the litigation has been caused by actions of former central office administrators and/or contracted technical or professional services. Other cases were initiated by the board of education. While school district interests should be protected legally when necessary, other avenues for conflict resolution should also be explored whenever possible. Since protracted litigation can be quite expensive, a cost-benefit analysis of ongoing litigation should also be a consideration. Other less expensive avenues for resolving conflicts should also be explored.

Auditor Fees

An auditor fee is included as part of the general administration cost, which is recorded in the “other purchased professional services” category. The district expended a total of \$38,644 in 1999-00 and \$45,218 (un-audited) in 2000-01 for annual audit fees and other accounting service. The district has utilized two audit firms. One audit firm is to perform the district’s annual audit and the other audit firm is to determine the accuracy and validity of the high school student tuition bills from Boonton. The district expended a total of \$19,500 and \$11,800 (un-audited) in school year 1999-00 and 2000-01 for school annual audits. In school year 2000, the district selected a new auditing firm through Requests for Proposals (RFP). The board has a contract with the new audit firm, which is renewable every year.

The district expended \$19,145 and \$28,918 respectively in school year 1999-00 and 2000-01 for tuition auditing service. The tuition auditing service, which has been accompanied by continued conflict with Boonton school officials, has been cost effective for Lincoln Park. There was no indication that the district had a contract with this firm for tuition auditing service.

The review team conducted a comparative review of auditor fees paid by the Lincoln Park, Hillsdale, Ringwood and Shamong School Districts. The following table contains the comparison of the auditor fees for school year 1999-00.

Comparison: Audit Expenditures, School year 1999-00

	Lincoln Park	Hillsdale	Ringwood	Shamong
1999-00	\$38,644	\$13,300	\$12,000	\$9,150

The table above indicated that Lincoln Park’s auditing fees are the highest among the comparable districts. This is partially due to the inclusion of the \$19,145 tuition audit fee in Lincoln Park. The district also has the highest basic annual audit fee (\$19,500) among the comparable schools.

Recommendations:

The district should enter into formal written agreements with all service providers to specify the nature of services to be performed and fees to be paid based upon contracts awarded per RFP.

By bringing closure to some cases and by seeking other approaches to conflict resolution, the district should be able to save at least \$50,000 in legal and auditing fees.

Cost Savings: \$50,000

INSURANCE

Property and Casualty

Insurance coverage for the district's property is maintained through various insurers by participating in a pooled program. The district's broker of record for property and casualty, workers' compensation, automobile, and general liability insurance has served the district for approximately eight years.

Insurance premiums, excluding health benefits, for the Lincoln Park School District for the 2000-01 school year cost the district \$93,457, as illustrated below:

Schedule of Insurance – 2000-01 School Year

Property & Casualty	
Commercial Package (includes property, contents, general liability, automobile, inland marine (computers, contractors equipment, valuable papers, etc.), crime, boiler and machinery, and excess public official liability)	\$26,380
Catastrophe Liability	\$3,440
Board of Education Liability Wrongful Acts	\$5,036
Environmental Site Specific Legal Liability	\$1,826
Excess Liability	\$1,806
Accident Insurance	\$147
Public Officials Bond – Treasurer	\$288
Public Officials Bond - School Board Secretary	\$280
Workers' Compensation	
Workers' Compensation	\$49,671
Student Coverage	
Student Accident	\$4,583
Total	\$93,457

The insurance policies for property and casualty increased by 14%. This increase was contributed to normal property value increases of 3% and losses. In addition, the market rate for commercial carriers has increased over the last year.

Workers' Compensation

The district's workers' compensation policy is covered through a self-insured, retention program. The program consists of 24 districts whose assessments pay the first dollar of claims up to \$250,000 per occurrence. The re-insurer, a commercial insurance company pays the remainder of the claims. A third party administrator, who is paid through the program, handles claims. The district's assessment for workers' compensation insurance for the 1999-00 school year was \$42,113 and for the 2000-01 school year, \$49,671. The increase reflects increased district salaries and increased rates per employee along with the slightly increased experience modification rate further explained below.

The annual cost fluctuates from year to year because premiums are based upon the frequency and severity of claims. This arrangement is called the "experience factor." It is a measurement of a district's safety performance compared to other districts in the pool. It is calculated in decimals ranging from .5 (excellent) to 1.0 (unity). Anything exceeding a 1.0 indicates a high experience and translates into higher premiums. It should be noted that an experience modification rate is based upon losses that occurred three years prior to the policy date. Lincoln Park School District's experience modification rate for last two years was as follows:

School Year	Modification Rate
2000-01	.765
1999-00	.701

The district's loss reports record the number of claims along with the total amount paid. The report indicated that all claims were closed; therefore, there are no outstanding reserves. The following table itemizes the number of claims and total dollars paid for the past several years:

Year	# of Claims	Total Paid
2000-01	6	\$1,072
1999-00	6	\$1,355
1998-99	13	\$16,657
1997-98	10	\$948
1996-97	7	\$1,123
1995-96	11	\$310

Safety Committee

A safer environment could be achieved by focusing on safety issues through the formation of a district-wide safety committee. The safety committee should be led by the administration and include representatives from various departments; i.e., custodial, cafeteria, teaching staff, etc. Regularly scheduled meetings should be held to discuss safety issues, to identify risks, and to consider ways to mitigate risk exposure. The meetings should be documented and at various times attended by all school staff members.

Other issues the district should address are:

- Tracking injuries in order to prevent or reduce future injuries of the same type.
- Originating a “light duty” policy for all district staff in order to get injured employees back to work as soon as possible.

Emergency Management Plan

The district is to be commended for having a comprehensive emergency management plan. The emphasis is placed upon the prevention of accidents and management of emergencies. The following areas are addressed in the plan:

Prevention:

- Plans for safe arrival and dismissal from school.
- Responsibilities of staff members.
- Emergency numbers-community resources.
- Response to emergencies.
- Bus, flood, and medical emergencies.
- Acts of violence.
- School searches.

Other:

- Floor plans of buildings and emergency exits.
- Emergency drill procedures.

Recommendations:

The district should form a safety committee to focus on employee safety issues in an effort to reduce the frequency and number of claims. Committee membership should represent a wide variety of district positions.

The district should track injuries to be able to identify areas where future injuries may be prevented by keeping records of areas where injuries have occurred in the past and conditions that may have caused the injury.

The district should create a light duty policy to return injured employees in the district to work as soon as possible.

The district’s experience modification rate is not high. However, there is always room for improvement. Based on information from insurance industry sources, we conclude that districts that institute an aggressive prevention policy often experience reductions in their experience modification rate. Each decrease of ten points in the modification rate produces an approximate 10% premium reduction, or \$5,000 savings for Lincoln Park.

Cost Savings: \$5,000

FACILITIES AND OPERATIONS

Facilities Overview

Maintaining adequate and environmentally safe school facilities while exercising budgetary responsibility is an increasing problem for school districts throughout the state. Decisions to upgrade, renovate, expand or abandon facilities become primary issues as enrollments increase and available monies decrease. Officials in Lincoln Park addressed several of these fundamental problems with a successful referendum in 1995, which allowed the district to expand the middle school and one of the two elementary schools. The second and older elementary school, the Chapel Hill School, was leased to a for-profit private school in 1998 when the expansion projects were completed.

Servicing a student population comprised of children in grades pre-kindergarten through eighth grade, the current Lincoln Park School District facilities consist of approximately 112,596 square feet of space in two school buildings and administrative offices. Lincoln Park High School students attend Boonton High School on a tuition basis. For the purposes of this section of the review, square footage and budgetary expenditures for the leased facility (Chapel Hill) will be excluded from all analyses.

Maintenance and Custodial Operations

The maintenance department is the responsibility of a supervisor of maintenance. The supervisor schedules work-order assignments and supervises the custodial staff. Purchasing is primarily a clerical function that is handled in the business office.

The school district employs eight full time and one part time custodians. Supervision of the custodial staff is the responsibility of the supervisor of maintenance in concert with the building principals.

Cost of Operations

One of the tools utilized in the review process is the NJDOE Comparative Spending Guide. This guide compares the per pupil costs of school districts in the state with comparably sized districts (between 950 and 1,307 students) and those with like grade structures (K-8). Utilizing data for the 1999-00 school year, the Lincoln Park School District cost per pupil for operations and maintenance of plant ranked 30th out of 92 comparable districts. Salaries and benefits for operations and maintenance of plant ranked 50th out of the 92.

An additional analysis compares Lincoln Park with four districts that are similar in terms of type, size and socio-economic factors. The complete comparison is included in a separate section of this review and is also based on information from the NJDOE Comparative Spending Guide. The school districts that were used for detailed comparison with Lincoln Park were Hillsdale, Ringwood and Shamong Townships. Based on the comparison of per pupil expenditures for selected cost factors for the 1999-00 school year for the four districts, Lincoln Park's total per pupil costs for operations and maintenance and salaries and benefits were 17% below the average.

The identification of potential cost savings in the area of operational costs within the school district includes the following analysis:

1. Perform a square footage analysis for the district and compare the cost per square foot against regional benchmarks and other school districts reviewed by Local Government Budget Review teams. For regional benchmarking, the review team utilizes the *American School and University (ASU)*, a national publication for facilities, purchasing and business administration. The *ASU* performs annual maintenance and operations surveys of school districts around the country. It provides reports on the cost to operate schools (including payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies, etc.) on a regional level. Region 2 includes New York and New Jersey.
2. Identify and analyze budget lines and accounts that appear to be high in relationship to regional benchmarks and/or similar school districts.
3. Provide areas for cost savings based upon programs and/or efficiencies identified in other school districts or municipalities that may be applicable in the district of review.

The following table summarizes the Lincoln Park School District's cleaning, maintenance, grounds and utility costs per square foot for the 1999-00 school year:

CATEGORY	EXPENSE (\$)	EXPENSE (\$) SF	EXPENSE (\$) SF
	LINCOLN PARK	LINCOLN PARK	99-00 ASU
CLEANING			
Salaries	273,373	2.43	2.14
Supplies	17,112	0.15	0.08
Contracts	23,504	0.21	0.30
Subtotal – Cleaning	313,989	2.79	2.52
MAINTENANCE			
Maintenance Salaries	40,127	0.36	0.58
Supplies	20,516	0.18	0.32
Contracts	16,423	0.15	0.30
Misc.	2,839	0.03	0.01
Subtotal – Maintenance	79,905	0.71	1.21
Total Clean/Maintenance	393,894	3.50	3.73
GROUNDS			
Supplies	3,022	0.03	0.04
Contracts	3,000	0.03	0.03
Subtotal- Grounds	6,022	0.05	0.07
UTILITIES			
Utilities	166,868	1.48	1.51
Subtotal- Utilities	166,868	1.48	1.51
Total Grounds/Utilities	172,890	1.54	1.58
TOTAL Maint./Oper.	566,784	5.03	5.31

Source: 1999-00 Comprehensive Annual Financial Report (CAFR). Utility costs for the Chapel Hill Building have been removed from the total.

While custodial salaries are slightly higher, the overall costs for plant operations for the Lincoln Park school district are 5% lower than the average costs determined by the ASU survey. A closer examination of staffing in the district provides some insight into the resultant costs in this area.

Custodial and Maintenance Staffing

Custodial staffing in the Lincoln Park School District during the 1999-00 school year, was reported to the review team as a total of eight full-time and one part-time positions. The LGBR team analysis for custodial staffing allows one position in each of school buildings for porter services and basic boiler maintenance. This allowance recognizes the need for personnel in the larger buildings to make small repairs, maintain landscaping, and deliver packages, etc., through the school day.

With two porter positions allocated from the total of 8.5, 6.5 workers are available to clean the buildings in the district. The ASU 2000-01 Region 2 average for square footage maintained per custodian was 21,045. The total square footage of 112,596, as provided by district administrators, divided by 21,045 square feet per position equals 5.5 cleaning positions required in the district. It would appear that Lincoln Park is over-staffed by one cleaning position.

However, the ASU survey also includes recommended square footages for skilled crafts and trades and the Region 2 average for 2000-01 is 93,000 square feet per tradesmen. The total square footage of district owned property in Lincoln Park is approximately 112,596, or an average requirement of 1.2 tradesmen. Lincoln Park does not employ any tradesmen, relying on the maintenance supervisor and custodial staff to perform maintenance in and around the buildings. Based on this use of staff, LGBR feels that the additional position is justified and that Lincoln Park appears to be adequately and efficiently staffed in the maintenance and custodial areas.

Utilities

The utility costs for the district are three cents per square foot lower than the ASU average for the region. This efficiency is a result of a partial lighting upgrade, which was completed in 1997. Increased savings will be realized when additional sections of the district schools are upgraded.

The district is to be commended for its cost-effective guardianship of the educational facilities.

Chapel Hill School

Budget monies expended on the maintenance of educational facilities has become a nationwide issue as turn of the century school buildings reach the end of their effective “life-span” and funds for replacement buildings are in short supply. The State of New Jersey has taken a major step toward easing this burden with the enactment of the Educational Facilities Construction and Financing Act, but it will be many years before the majority of school districts in the state realize substantial relief through these state funds. In older communities where there is little in the way of vacant land for new construction, the inevitable questions remain regarding cost-effective methods of maintaining inadequate infrastructures, while providing a relatively sound, safe and

energy efficient school environment for students. Efficiencies and cost-cutting measures must necessarily consider the health and safety of students and staff while maintaining acceptable spending levels.

When Lincoln Park School District officials completed expansion of two of the three district schools in 1998 and realigned the grade structure, the former elementary K-5 Chapel Hill School was left unoccupied. Constructed in 1926, with additions completed in 1933 and 1949, the 40,000 plus square foot building would have required extensive renovation to meet NJ Department of Education and American Disabilities Act (ADA) requirements and upgrades. The decision to lease the space to a for-profit private school rather than sell the property allowed the district to maintain flexibility for possible future needs.

The facility was leased for a period July 1, 1998 through June 30, 2003, with an additional five-year term commencing on July 1, 2003 and ending June 30, 2008 available to the lessee. Terms of the lease call for an annual rent of \$175,000 in ten equal payments of \$17,500. In addition, the lease agreement stipulates that the tenant is responsible for utility bills in excess of \$35,000 and routine maintenance and upkeep. The district, as landlord, has annual expenses of approximately \$80,000 (\$35,000 in property taxes, \$35,000 for utilities, and additional amounts for insurance, alarm systems, etc.). Net rent for the building is approximately \$95,000 annually.

The future use of the building is the subject of some discussion within the district. School board members differ in opinion regarding whether to sell, reopen or continue to lease the facility. The current tenant has initiated litigation with the district on the issue of renewing the present lease. Of course the parties may decide to negotiate a settlement; however, should the tenant prevail in court, the district may remain under obligation to continue to lease the building until 2008. Since the outcome of the litigation was unknown at the time of the review, the LGBR team cannot make definitive recommendations regarding the building.

Two appraisals of the property, one contracted in 1995, and the most current appraisal of July 2001, value the property at approximately \$1,500,000. Impacting directly on the value of the property is the zoning designation of R-15 (Residential). The property falls into the pre-existing, non-conforming category and pre-dates the current zoning. Current regulations would severely limit potential usage in regards to sale of the property.

Whether the district will need to utilize Chapel Hill School for public school students in the future will depend upon student enrollment trends and programmatic decisions by local officials and citizens, or requirements of other agencies of the state and federal government. Reportedly, there is insufficient building space in the two operating schools for potential new programs, such as full-day kindergarten, pre-school or other special student offerings. In long-term planning for the future, district officials should consider establishing a task force to evaluate Lincoln Park School facility needs in relation to decisions about the long-term availability of the Chapel Hill facility. If additional building space is deemed necessary in the future, district officials may explore the feasibility and cost effectiveness of either opening Chapel Hill School or constructing additional classrooms at one or both of the two operating schools. District officials should also assess the impact of opening a third school upon the efficiency of district current operations, particularly with attention to any additional administrative, custodial and secretarial

staff costs. Also, the availability of state financial aid for either renovation of an older facility or new construction would be a consideration for Lincoln Park officials. Appropriate professional advice should be obtained before any final decisions are made by the board of education.

TRANSPORTATION

A fundamental, and often controversial, component of school district budgets is that of providing a safe means for students to travel to and from school. The escalating costs associated with the safe and efficient transportation for New Jersey's public and private school students has received increasing attention from the media, state and local officials, and taxpaying residents. There are numerous factors that can affect transportation expenditures including management's knowledge of transportation; employee salaries and benefits; terms of negotiated agreements; privatization; competition for services; quality of route and vehicle specifications; geography; board policies. The LGBR review process will examine the level of service provided to the students in the district, as well as the costs of such services.

The State of New Jersey provides aid to qualifying school districts under the provisions of State Statute 18A:39-1 through 25, which stipulates that elementary school pupils who live more than two miles from their public school or secondary pupils who live more than two and one half miles from their public school are entitled to transportation to and from school. In addition, the statute grants students attending a remote school other than a public school, operated not for profit, located not more than 20 miles from the pupil's residence, transportation within the requirements of the New Jersey Administrative Code, Title 6A:27 through 2.5. State statute requirements include restricting the cost of non-public transportation to a stated yearly amount (1998-99/\$702; 1999-00/\$707; 2000-01/\$710). If transportation cannot be provided for this amount or less, parents are reimbursed the legislated amount.

There are several terms utilized to differentiate between students whose transportation to and from school is an expense recognized as necessary and therefore qualifying for state aid, and those students whose services are provided for reasons of safety or other local conditions or policies. Students who reside a qualifying distance from the school are said to live "remote from the school house" or are termed "eligible" referring to state aid requirements.

"Courtesy" busing is defined as transportation of students who reside two miles or less from the school for elementary grades and two and one half miles or less for the secondary grades. Under state law, this transportation is unaided if provided. The term "courtesy" busing is used interchangeably by school districts with "safety" busing, "hazardous" busing and "ineligible" students, again referring to state aid qualifications.

Lincoln Park is a pre-kindergarten through 8th grade district encompassing approximately seven square miles in Morris County. The district supports an elementary and a middle school, with the secondary students attending Boonton High School.

District Operations

Services for regular and non-public to and from school transportation and special education routes are out-sourced through joint transportation agreements with the Morris County Educational Services Commission (MCESC), the Passaic County Educational Services Commission and with several adjoining school districts.

Joint Transportation Agreements

The utilization of commissions and cooperatives is recommended as a source of efficiencies. Specializing in combining the needs of several districts into cost-effective routes, the role of these consortiums in pupil transportation in the state has grown tremendously. While there are several commissions in the state that have purchased buses and are competing with the private contractors, the majority of these commissions and cooperatives write specifications, generate route packages, and handle the bid process for contracted route services. Management fees are charged based on the total cost of the routes. MCESC, which handles the majority of the transportation services for Lincoln Park is a commission that does not own or operate vehicles. Management fees from the two commissions handling transportation for Lincoln Park average 4%.

Just as privatization should not always be viewed as a quick fix for all district transportation problems, cooperative services are not always the most cost-effective method for attaining routes. In order for both of these to be effective, care must be taken in both the presentation of the information and supervision of the final product.

The strategy of “tiering” bus routes is one of the methods utilized to increase efficiency and save transportation monies. Transportation efficiency in a public school district can be defined as “equal or improved services for fewer dollars.” When runs are combined or tiered, each vehicle is assigned to a group of runs, thereby utilizing the vehicle for as many hours during the day as is possible, without compromising instructional time. The basic principal of this efficiency is:

Yearly vehicle operational costs, i.e., lease or amortized cost, repair parts and labor, and insurance expense are stable, regardless of how many trips the vehicle is assigned to during the course of the year (excluding fuel, driver salaries, benefits, etc.).

When these operational costs are applied to Vehicle A for Year 1 at \$15,000 and that vehicle is assigned to only an elementary school run throughout the school year, then the operational costs for that bus run become \$15,000. Assuming that the bus was a 54-passenger vehicle and that it held a full student load, the operational per pupil cost would be \$277.78. The same vehicle assigned to runs for a high school, middle school and elementary school in the morning and afternoon produces a per run cost of \$5,000 or \$92.60 per pupil.

The successful preparation of “tiered” bus runs requires bell schedules sufficiently spaced to allow buses to pick up a full load of students in between trips to the schools. The bell schedules in Lincoln Park are aligned to accommodate the academic day and the “tiering” of the bus runs, including those servicing Boonton High School.

An analysis of the District Report of Transported Resident Students (DRTRS) and the route specifications utilized for bidding in 1999-00 demonstrated that bus runs in Lincoln Park are presented to vendors as separate units rather than as tiered packages. The successful vendor combined the runs into packages after the bid award, but the district has been paying on the basis of individual run prices.

During the 1999-00 school year, the vendor was able to combine a total of 20 individual runs into five tiers comprised of high school, middle school, elementary and noon bus runs. These runs cost the district \$59,445 while the state average for a “tiered” route package of this type is approximately \$38,000. Had these runs been tiered within the bid, the district would have saved approximately \$107,000.

It is difficult to assign responsibility for the oversight involving the bus routes in Lincoln Park. Recently, there has been increasing legislation and support from the New Jersey Department of Education for the utilization of commissions and ESC’s as a strategy for efficiency. Aid incentives are offered to encourage sharing and consolidating transportation services, and the use of coordinated transportation services agencies (CTSA) are mandated by NJSA 18A:39-11.1 under certain circumstances. N.J.A.C. 6A:27-10.1, (c) states in part that, “Resident district boards of education shall utilize a CTSA to transport students going to a special education or vocational school located outside of the resident district, and non-public school students whose parents received aid in lieu of transportation in the prior school year. District boards of education may also utilize the CTSA for any other transportation needs.”

DOE monitors the transportation efficiency ratings of all districts closely, requiring districts with low ratings to file corrective action plans, in accordance with N.J.A.C. 6A:27-8.2. Most notably, N.J.A.C. 6A:27-10.3,(a) describes the responsibilities of these agencies as follows, “A CTSA shall be required to organize, schedule and provide transportation services in a manner which achieves maximum efficiency for participating districts.”

It is this emphasis that leaves school district administrators with the impression that all reasonable steps have been taken to economize on transportation costs when they enlist the aid of one of these agencies. As demonstrated in Lincoln Park, this assumption can be costly for the school district.

Given the business management turnover in Lincoln Park, and the assignment of transportation responsibilities to a secretary with no experience in the area, oversight and direction at the district level has been minimal. The transportation files were incomplete, with few records of recent bids, and missing bid specifications. Questions regarding the history of the bidding process could not be answered. Interviews with staff at MCESC were only a little more enlightening. LGBR was told that MCESC bids bus routes “as given” from all of the participating districts. Files at the ESC were also incomplete, and the invoices, bid summaries and bidding documents forwarded to the school district contained many errors, several of which required board minute corrections.

Essentially, the districts pay the administrative fee for the preparation of the bid document, the advertisement of the bid, and management of the bid opening. The ESC does not advise or

become involved in route efficiencies for regular transportation, such as recommending the combining, tiering or sharing of routes either within a district or with adjoining districts. The agency does appear to perform these services in the area of special education transportation.

An additional factor driving the cost of contracted routes in Lincoln Park is the requirement of the MCECSC for vendors to offer a bulk bid. Bulk bidding is the practice of requiring vendors to bid on all of the work contained in a bid package. This “all or nothing” method of bidding caters to larger companies and to those currently working in a district. It also restricts competition among vendors. In a 1997 letter detailing the results of an investigation of the school transportation industry in New Jersey, the SCI (State Committee of Investigation) determined that:

“In order to foster competition and to minimize conditions that breed collusion, routes should be bid in packages that may be performed efficiently. “All-or-none” proposals tend to limit competition to only the largest bidders. Smaller companies may not have the resources available to meet an entire district’s transportation needs.”

LGBR interviews in Lincoln Park regarding transportation referred to the fact that only one vendor responded to bids. However, bid summaries from the 1999-00 school year for Lincoln Park in-district routes showed bids from two contractors. This was a bulk bid, with only the high bidder responding with a reduction in costs for the bulk award.

Initial questions regarding the advertised bid for 2000-01 in-district bus routes for Lincoln Park were answered by both district and MCECSC staff with statements that there were no bidders. However, closer review found that the bid had been stopped before the formal opening, and that the 1999-00 routes had been renewed for the ensuing school year. When asked, staff at both Lincoln Park and the MCECSC could give no further explanation as to why the bid process had been halted, and there were no board minutes supporting the decision.

An interview with the current route vendor solicited the response that, “the bid was so messed-up that they (MCECSC) decided just to renew.”

Recommendation:

School district officials should meet with administrators from the Morris County Educational Services Commission to delineate responsibilities for the preparation of efficient bus routes. If it is to be the district, current staff should be trained, or experienced personnel should be hired. If it is MCECSC that will oversee the implementation of tiered route packages, the district should continue to monitor the process.

In either case, the successful tiering of bus routes in the district will save approximately \$21,000 per package, or \$105,000 based on the current vendor alignment.

Cost Savings: \$105,000

Additionally, LGBR recommends that the district require MCESC to accept open bids on all route packages, eliminating the requirement for a bulk bid. The encouragement of competition among the existing contractors in the Morris County area should reduce costs even further.

Courtesy Busing

Courtesy busing is defined as transportation provided for students who do not meet the state profile for eligible students to and from school. In Lincoln Park, approximately 35% of the students transported were elementary students living within two miles of the school, and therefore ineligible for inclusion in the state-aided numbers.

The lack of adequate sidewalks, and the increasing traffic along the major access roads to the schools in Lincoln Park contribute greatly to the district's decision to continue to bus ineligible elementary school students.

Recommendation:

The school board should consider adopting a subscription busing policy in accordance with NJSA 18A:39-1.3, which concerns the establishment of hazardous walkways for school students. While the adoption of such policies will not increase state aid under current regulations, there have been numerous changes to the transportation laws in the past two years, and the district should maintain up-to-date transportation records and policies in the event that there are beneficial alterations in the aid formula.

Non-Public Transportation

Students attending private or non-public school are entitled to transportation under the same statute and guidelines that govern public school student transportation, i.e., elementary school pupils who live more than two miles from their school or secondary pupils who live more than two and one half miles from their school are entitled to state aided transportation. However, such transportation must meet other requirements. One of these requirements limits the cost of transportation for non-public students to a mandated amount, which is determined by the State each year. When the costs of transportation exceed this amount, the district must reimburse the parents for providing their own transportation to and from the non-public school. The amount of the reimbursement to parents is restricted to the statutory amount.

In addition, parents requesting non-public transportation for their children must file applications with the district by set deadlines, meet distance requirements, and have their children enrolled in a not for profit non-public school.

The Lincoln Park School District, in compliance with State Statute 18A:39-11.1, submits all of the required paperwork regarding non-public students to the Morris County Educational Services Commission for management. This portion of the statute requires that any school district which provided payments in lieu of transportation to non-public school students in the prior school year, attempt to provide transportation for those students through an agreement with a recognized cooperative transportation agency.

During the 1999-00 school year, Lincoln Park received applications for transportation to non-public schools for 221 students. MCECSC arranged transportation for 113 students, while the parents of 108 were paid reimbursement in lieu of transportation. In 2000-01, these numbers dropped to 111 transported and 86 reimbursed.

An analysis of the DRTRS submitted to the Lincoln Park School District by MCECSC revealed that of the 111 students transported in 2000-01, transportation costs for 33 of these students exceeded the amount mandated by statute. The overages amounted to a total of \$1,360. The overpayment by the district for these 33 students rises to \$2,962 when the administrative fees paid to MCECSC are added to the total.

A recent change in statute allows a district to seek additional state aid as reimbursement for the administrative fees charged by an ESC.

Recommendation:

LGBR suggests that the school district closely monitor the costs of all non-public school routes, ensuring that the amounts meet statutory standards. In addition, the district has paid \$2,962 in administrative fees, qualifying it for state reimbursement.

Cost Savings: \$2,962

It was also noted during the analysis of both the district's DRTRS and the MCECSC DRTRS Route Report, that two non-public bus routes were being tiered by the contractor but had been bid as single routes by MCECSC. Due to this omission on the part of the ESC, Lincoln Park paid \$53,827 for services to these two schools. Routes of this type typically cost \$34,000 when bid as a tiered package.

Recommendation:

LGBR suggests that the district should monitor the management at the MCECSC and ensure that all routes are being bid in a cost effective and efficient manner.

Cost Savings: \$19,827

In conclusion, the review team recommends that when the business office functions of the district stabilize, consideration be given to exploring the regionalization of transportation services with neighboring school districts rather than continuation of the services of the MCECSC. A REDI (Regional Efficiency Development Incentive) grant may be available to help finance the study, development and implementation of shared (regionalized) services in the area of pupil transportation.

FOOD SERVICES

A review was conducted of the district's food service program. This included interviews with the food service director and other personnel, visits to school kitchens and cafeterias to observe

operations, and an analysis of various documents. The Lincoln Park School District has phased in the privatization of food services by retaining five employees in 1999-00. With one retirement, the number of district employees will be reduced to four in 2001-02. The management firm hires all new employees.

Staffing for the food service program includes a manager and four employees at the elementary school and a manager and four employees at the middle school, or a total of 10 employees. The hours of the respective positions are as follows:

- manager - 7.75 hours;
- cook – 5 hours;
- cashier – 4.5 hours;
- snack – 3.5 hours; and
- server – 3.5 hours.

Employees who work 20 or more hours per week receive benefits. Currently, two managers and one worker receive benefits.

The district has two production kitchens located in the elementary and middle schools. School lunches, food for meetings and special functions are prepared in the production kitchens. Production kitchens generally provide higher quality meals and offer more flexibility to customize meals to student preferences than satellite kitchens. However, full service kitchens are generally more costly and require more staff than satellite kitchens. Lincoln Park currently charges \$1.70 for student lunches in the elementary school and \$1.80 in the middle school. Teachers and other staff members can purchase lunch for \$2.40.

The students in primary school have a 25-minute lunch and a 30-minute playtime, while the middle school students have 30 minutes with no playtime. There are four sittings for lunches daily in each school. The district hired lunch aids to supervise the students during lunchtime in the primary school. Lunch aids were compensated at \$12 per hour. In addition to the lunch aides on duty, a teacher was also assigned to work in the lunchroom. In the middle school, three teachers serve on lunch duty to supervise the students. This is part of their responsibilities as listed in their contract.

The student participation rate in the Lincoln Park school lunch program was 42.6% in school year 2000-01. The participation rate was calculated based on the average daily meals served divided by the number of students with access to the school lunch program. The fact that a relatively low number of children are participating in the lunch program raises questions about the level of satisfaction among students with the program. A higher participation rate would improve the kitchen's operating efficiency, benefiting the economies of scale in food purchases, preparation and serving.

The following table illustrates the district's meal counts for school years 1999-00 and 2000-01.

School Lunches	1999-00*	2000-01	Difference
Paid	49,041	47,143	-1,898

Reduced	6,163	5,931	-232
Free	14,846	12,202	-2,644
Total	70,050	65,276	-4,774

*Audited.

As indicated in the table above, the number of participants or total counts for paid, reduced and free lunches decreased 6.8% between school years 1999-00 to 2000-01. The district average daily enrollments increased 2.2% during the same two-year period.

According to budget guidelines, if a district receives state and/or federal reimbursement for food service costs, or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in a separate enterprise fund and not within the general fund of the budget. Any contribution made by the board toward the food service operation is reported as a lump sum contribution transferred to cover any deficits. These costs should not be included elsewhere in the budget. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises with the intent that the costs of providing goods or services will be financed through user charges. The district participates in the National School Lunch Program and the Split-Session Kindergarten Milk Program.

Identification of a surplus or deficit in the food services enterprise fund illustrates whether the fund is self-sufficient and operating efficiently. The following table illustrates the actual profit and loss for the food service program for 1997-98 to 1999-00:

	1997-98	1998-99	1999-00
Operating Revenues:			
Daily Sales-Reimbursable Programs	\$162,857	\$173,806	\$190,150
Daily Sales Non-Reimbursable Program	\$2,450	\$3,374	\$3,014
Miscellaneous	\$102	\$0	\$0
Total Daily Sales-Reimbursable Programs	\$165,409	\$177,180	\$193,164
Non-Operating Revenues:			
State School Lunch Program	\$3,429	\$3,774	\$4,062
National School Lunch Program	\$38,001	\$44,560	\$48,444
Special Milk Program	\$1,034	\$1,414	\$1,219
Food Distribution Program	\$13,231	\$9,265	\$7,051
Total Non-Operating Revenues	\$55,695	\$59,013	\$60,776
Total Revenue	\$221,104	\$236,193	\$253,940
Operating Expenses:			
Salaries	\$46,188	\$49,359	\$46,410
Purchased Professional Services	\$104,904	\$99,832	\$115,121
Depreciation	\$3,275	\$8,079	\$8,344
Cost of Sales	\$96,879	\$107,739	\$104,494
Total Operating Expenses	\$251,276	\$265,009	\$274,369
Net Income (before board contribution)	\$(30,172)	\$(28,816)	\$(20,429)
Net Income (after board contribution)	\$(30,172)	\$10,088	\$17,247

In the 1999-00 school year, the food service program had a reported net loss of \$20,429, which was \$8,387 less than 1998-99 school year. Over the past three years, the board contributed a total of \$76,580 to the food service program.

In 2001, the district requested proposals from independent contractors. Only one proposal was received for 2001-02 and that was from the current contractor. The food service management company receives, in addition to the costs of operation, a fee of \$14,400 for administrative and management costs. A per meal administrative fee of \$.10 is charged per meal equivalent. The food service management company, guarantees the school district a minimum profit of \$12,500 for school year 2001-02. This guarantee is contingent upon a number of specified conditions.

The team conducted a cost-effective analysis for the district. The following table illustrates the district's income and expense, and its comparison with the market.

	1999-00	% Cost Ranges vs. Income	Market Rate
Total Income (1)	\$246,889	100%	100%
Expenditures			
Payroll (2)	\$131,928	53%	40%-45%
Cost of Goods (3)	\$104,494	42%	39%-45%
Supplies & Materials	\$10,891	4%	4%-5%
Misc.	\$18,711	8%	.2%-.1/2%

Note: (1) Revenue from Food distribution program was excluded from total income.

(2) Payroll included all salaries (staff hired by the district or hired by the management company), benefits and FICA taxes.

(3) Goods from Food distribution program were excluded in this category.

An analysis of the above table reflects that the labor cost for Lincoln Park food service was 8% to 13% higher than the market. The miscellaneous cost was 7.5% higher than the market. An analysis of the district's food service labor costs was conducted in accordance with standards and formulas used by the food service industry to assess the program's efficiency and productivity. An efficiency and productivity food service program is determined by the average meals per labor hour (MPLH) calculation. The average meals per labor hour is calculated by dividing the total average daily hours worked by the average daily meals (including a la carte equivalents) served by a school. According to food service industry standards, a food service program should be able to produce at least 15 MPLH. Any number below the standard number of 15 MPLH could possibly indicate that the district has a lower productivity rate. The lower productivity rate indicated that the district has too many workers on the payroll or the workers are allowed to work too many hours. The average number of meals per labor hour for the Lincoln Park School District is 8.7 meals per labor hour.

Recommendations:

- 1. Increase the participation rate by offering more choices of hot meals a day, operating on a three-week menu cycle, reducing repeat entries and conducting periodic informal surveys of student preferences. Increased student participation would increase revenues and also determine the number of work hours needed under recommendation 3 below.**

Revenue Enhancement: Undetermined

- 2. Increase the lunch prices to the state level. The state lunch prices are \$2 for middle school and \$1.85 for elementary school students. Such price increases could bring in additional revenue of \$8,582.**

Revenue Enhancement: \$8,582

3. **In order to meet the standard of meals produced per labor hour, the district and the food service company should review the workers' schedule and determine the productivity of the food service workers. There should be consideration of reducing the number of work hours in the kitchen or reduce staffing. In order to meet the 14 to 15 MPLH goals, with current student participation rates the district would need to reduce 10 to 15 hours from the food service worker's daily schedule. The district could then have a saving of \$15,789 based on average hourly wages of \$9.**

Cost Savings: \$15,789

4. **According to the contract, the food service management district expended \$46,410 to continue the employment of five district employees. This expense caused a net food service deficit of \$18,391. The food services company salaries and benefits are lower than those offered by the district. As the district employees retire, it is recommended that future food service employees be employed by the food service company.**

BOARD OF EDUCATION

The Lincoln Park School District is a Type II district located in Morris County. The district functions independently through a board of education composed of nine members, who are elected to three-year terms.

The board operates through a standing committee system, with the following committees:

- curriculum & instruction/related technology;
- policy/personnel;
- public relations/organizations;
- negotiations;
- finance/facilities/related technology;
- high school; and
- transportation.

The committees conduct studies, act in an advisory capacity and make recommendations to the board. Committees are not authorized to take action on behalf of the board. The respective committee chairperson introduces resolutions at board meetings.

As indicated in the previous administration section of this report, the Lincoln Park School District has experienced high turnover in the central office administrative staff. At the time of the review team visit, Lincoln Park School District had experienced a complete turnover in central office administrative personnel. The superintendent had elected to retire and accept a position out-of-state. The business administrator/board secretary had accepted a position in another New Jersey school district. An examination of district records indicated that in 1994-95 there was an interim superintendent/business administrator. In the six-year period (1995 to 2001), including the most recent hires there have been three superintendents and four business

administrators. Interviews with key participants indicate that board/administrator relationships were a contributing factor in recent departures.

Recommendation:

The Lincoln Park Board of Education should conduct exit interviews with departing administrators to identify the causes for the relatively high turnover of central office administrators. The board's relationship with administrators is an important ingredient in an efficient and effective school district. Establishing an atmosphere of mutual respect in working toward common goals should be a high priority for the district.

The superintendent or designee prepares an agenda of items of business to come before the board at each meeting. The agenda is delivered to each board member before the meeting and includes reports and supplementary materials that are appropriate and available. On each board agenda, a resolution is included so that a majority of the members present may determine at 11:00 p.m. whether the remaining business shall continue or be postponed until the next meeting.

Board policy 1210 indicates that it is the primary duty of the board to establish policy and the primary duty of the superintendent to implement and administer those policies. The superintendent, as chief administrative officer of the school district, is the primary professional advisor to the board. The superintendent is responsible for the development, supervision, and operation of the school program and facilities.

Board policy 1120 recognizes the value to the district of a system of management organization that encourages communication among administrator and between the administration and the board. The board directs the superintendent to establish an administrative cabinet which includes the superintendent, principals and special services director and the institute a team management system.

Board policy 1100 directs the establishment and implementation for an organizational plan for the management and control of school district operations. All members and employees are directed to observe faithfully the chain of communications established by the district organizational plan.

III. COLLECTIVE BARGAINING ISSUES

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally through a well-conceived process of redeveloping compensation packages to be equitable and comprehensive. For this reason we present those issues subject to collective bargaining agreements separately in this section.

Any of the recommendations in the following sections, which involve changes to the negotiated agreement, necessarily would require negotiations and agreement by the respective parties in order to be implemented. Review team analysis of those provisions of the contract that have a financial or productivity impact and the related comments and recommendations are presented in bold type in the following paragraphs.

Lincoln Park Education Association

The agreement with the Lincoln Park Education Association (LPEA), effective 1999-02, covers personnel under contract or on leave who are employed by the Board, including teachers, nurses, guidance personnel, librarians, and school psychologists. The contract excludes principals, supervisory employees, administrative employees, substitute teachers and custodial employees, cafeteria workers, secretarial and clerical staff. The 35-page document contains 30 articles, two schedules and an addendum. This report will deal with those aspects of the contract that have productivity and/or financial implications for the school year 1999-00, which is the year being analyzed.

Calendar and Teaching Hours

The normal in-school workday for elementary teachers (K-4) begins no later than 10 minutes before the start of the school day and ends no sooner than 15 minutes after the end of the school day. The workday includes a duty-free lunch period of at least 40 minutes and a guarantee of five 40-minute preparation periods per week. The total in-school workday consists of not more than six hours and 55 minutes.

The normal in-school workday for middle school teachers in grades 5-8 begins no later than 10 minutes before the start of the school day, ends no sooner than 15 minutes after the end of the school day, and includes a duty-free lunch period of at least 30 minutes. The total in-school workday consists of not more than six hours and 55 minutes.

The workday for teachers in grades five and six includes a guarantee of seven 37 to 38-minute preparation periods per week. The workday for grades seven and eight includes a daily teaching load of three 75-minute instructional blocks and one 75-minute preparation block.

Effective in the 2000-01 school year, 15 minutes of instructional time was added in both the elementary school and middle school to the workday of the teachers.

The workday conditions above do not apply to teachers under the supervision and scheduling by the director of special services. Elementary self-contained special education teachers retain the

current preparation arrangement but are guaranteed no duty assignments. Middle school self-contained special education teachers are guaranteed no duty. Those with homeroom assignments are permitted to leave school five minutes after student dismissal.

Teachers may be required to remain after the end of the normal in-school workday without compensation for parent-teacher conferences, faculty meetings, faculty workshops, back-to-school nights and graduation. There is one back-to-school night per school. Teachers who work in more than one school may be required to attend back-to-school for each school in which they work. Teachers required to attend back-to-school night or graduation are not reimbursed for mileage.

Half-day sessions for teachers and students are held the day before Thanksgiving recess and Christmas recess. On the next to last day of the school year, students have a half day and teachers have a full day.

When the district provides a computer teacher, elementary teachers receive a preparation period rather than supervise the computer instruction.

The practice of using a regular teacher as a substitute, thereby depriving him/her of a preparation period is discouraged. In those cases where regular substitutes are not available, regular teachers may be used as substitutes during their non-teaching time.

School Year

The in-school work year for teachers employed on a 10-month basis may not be less than 183 days nor more than 185 days, one of which is designated for teacher orientation and professional development, which runs from 8:30 a.m. to 3:00 p.m. with one hour for lunch.

Flexible Starting Time

The Board has proposed a flexible starting time for each school and the Association has specified that notification for the starting and ending time for the next school years be made by the second Friday in June. The ending time for the school day is adjusted by the same amount as the starting time so the length of the school day is consistent with the above hours for the teacher workday and the pupil contact time at each school.

Flexible Teacher Schedules

At the discretion of the superintendent, individual teachers' schedules may be adjusted to report to school either 20 minutes before or 20 minutes after the contracted starting time with a corresponding decrease or increase in the ending time. Employees are to be notified of such schedule not later than the second Friday of June prior to the next school year.

Part-time Teachers

Part-time teachers, who were hired on or after July 1, 2000, are defined as working 20 hours or less per week.

Non-Teaching Duties

Teachers are not required but may volunteer to perform these duties:

- Deliver books to classrooms or perform custodial functions.
- Correct standardized test, except for reading readiness, achievement tests and tests used in classifying atypical students.
- Collect money from students, with exceptions noted.

Student Transportation

The parties recognize the legal obligation of the district to transport students to and from school. Teachers are directed not to transport students in their automobiles.

Fifteen minutes of morning coverage is provided by at least seven volunteer teachers who are assigned at either the elementary or middle school. Such supervision commences 15 minutes prior to the start of the normal in-school teacher workday. Each volunteer receives a stipend.

Salaries

The salaries for all teachers are covered by Schedule A below:

Teachers Salary Guide 1999-00						
Step	Bachelors	BA+15	BA+30	Masters	MA+15	MA+30
O	\$33,397	\$34,441	\$35,716	\$37,340	\$38,616	\$40,240
N	34,197	35,241	36,516	38,140	39,416	41,040
M	35,297	36,341	37,616	39,240	40,516	42,140
L	36,497	37,541	38,816	40,440	41,716	43,340
K	37,697	38,741	40,016	41,640	42,916	44,540
J	39,197	40,241	41,516	43,140	44,416	46,040
I	40,697	41,741	43,016	44,640	45,916	47,540
H	42,397	43,441	44,716	46,340	47,616	49,240
G	44,197	45,241	46,516	48,140	49,416	51,040
F	46,397	47,441	48,716	50,340	51,616	53,240
E	48,597	49,641	50,916	52,540	53,816	55,440
D	51,096	52,140	53,415	55,039	56,315	57,939
C	53,575	54,619	55,894	57,518	58,794	60,418
B	57,085	58,129	59,404	61,028	62,304	63,928
B-A	60,000	61,000	62,400	63,500	65,400	66,925
A	63,619	64,663	65,938	67,562	68,838	70,462

According to the DOE Comparative Spending Guide, March, 2001, the median teacher salary in Lincoln Park in 1999-00 was \$50,978, or a ranking of 67 out of 92 K-8 school districts. The 1999-00 state K-8 median was \$45,110, while the comparable average of the three comparison districts was \$62,978. The Lincoln Park support service salary was \$53,816, while the average for the same category of the three comparison districts was \$51,467.

Longevity

Teachers who have completed the designated years of service as regular full-time employees of the Lincoln Park School District receive annual stipends as indicated in the following table:

Years of Service	Annual Stipend
16 th through 20 th years	\$1,000
21 st through 25 th years	\$1,500
26 th through 30 th years	\$2,000
31 ^s year and beyond	\$2,500

Longevity stipends are not accumulated. Service in other school districts or substitute service in the Lincoln Park School District does not count toward longevity. Part-time service in the district counts only on a pro-rated basis.

Nineteen teachers received longevity payments ranging from \$1,000 to \$2,500 with a total cost of \$30,000 in school year 2000-01.

Extracurricular Stipends

The 1999-00 salaries for extracurricular activities are set forth in the following table:

Position	Stipend	Position	Stipend
Field Hockey	\$2,060	Newspaper	\$1,400
Soccer	\$2,060	Yearbook	\$1,868
Cross Country	\$2,060	Nurse F/S	\$1,100
Basketball (B)	\$3,160	Jazz Band (MS)	\$1,275
Basketball (G)	\$3,160	Jazz Band (ES)	\$740
Softball	\$2,500	Morning Duty (7)	\$8,400 (1,200)
Baseball	\$2,500	Trip Coordinator	\$1,980
Athletic Director	\$1,650	Trip Chaperone	\$75/overnight
Cheerleading	\$1,450	Advisor/Advisee Coordinator	\$1,980
Student Council	\$1,676	Team Leader (2)	\$1,980

Note: Curriculum coach, curriculum writer, new teacher orientation teacher and teaching coach positions were added in 2000-01 and 2001-02 at \$30 per hour.

Insurance

The district pays the full cost of health insurance protection for each teacher requesting coverage and the family of each teacher except:

- Teachers on unpaid leaves of absence, as specified.
- Teachers whose first day of employment was on or after July 1, 1997 are enrolled in the Preferred Provider Option (PPO) or its equivalent.
- A teacher may elect individual coverage without family coverage.

Teachers, whose first day of employment was on or after July 1, 1997, may select coverage other than the PPO, or its equivalent, by paying the difference in the cost of the premium for said coverage. Upon completion of three years of employment, these teachers no longer are required

to pay premium costs associated with health insurance coverage other the PPO, or its equivalent. Those employees who choose year-round prescription coverage offered by the school district pay not more that \$150 toward the cost of the prescription drug plan.

The district paid the full cost of the family dental insurance coverage for each employee so requesting coverage for the 1996-97 school year. Beginning July 1, 1998, the district paid up to, but not more than, \$491 toward family dental plan coverage. The amount was increased to \$525 in 2000-01 and \$550 in 2001-02.

Effective July 1, 1997, the district offered a voluntary health care reimbursement account and/or a dependent care reimbursement account, as provided in a Section 125 Plan. Teachers are allowed to make pre-tax contributions to these accounts.

Effective on July 1, 2000, employees who are covered by an insurance plan that is not offered by the school district, and elect to opt out or waive benefits offered by the board of education, receive 25% of the cost savings realized by the school district. In case of a change in a life event, employees can re-enroll for insurance coverage. Also, employees who select to be covered by a less expensive health plan than that by which they are currently covered receive 25% of the cost savings realized by the district.

Recommendation:

New rules adopted by the State Health Benefits Commission on September 21, 1995 effective October 16, 1995, now permit school districts to set a higher workweek standard before an employee is considered “full-time” and eligible for benefits. Currently, state employees must work a minimum 35 hours a week to qualify for free benefits. District officials should review this issue and negotiate that those employees who work less than 35 hours contribute for the insurance.

Potential Cost Savings: \$3,000

Graduate Study

The district reimburses teachers for the full costs of tuition payments for part-time or summer approved graduate studies. Tuition does not include the cost of books, other fees, transportation, room or board, and may not exceed the cost per credit in effect at state colleges. In cases where a specific course or program is not offered at a nearby state college, the district reimburses teachers at rates not to exceed 125% of the cost per credit in effect at the state colleges.

The maximum total payments to be made by the district may not exceed \$12,000 in aggregate and are distributed equitably at the end of the school year for those applying for graduate study reimbursement.

Teacher Assignment

Teachers who are assigned to more than one school per day are reimbursed for all such travel at the IRS rate per mile for travel between schools and to workshops and professional visitations.

Facilities

The contract indicates that each school will have the following facilities:

- a) Space in each classroom in which teachers may store instructional materials and supplies.
- b) Equipment and supplies to aid in the preparation of instructional materials.
- c) An appropriately furnished room that is reserved for the use of teachers as a faculty lounge during the school year. Although teachers are expected to exercise reasonable care in maintaining the appearance and cleanliness of said lounge, the custodial staff will regularly clean the area.
- d) A serviceable desk, chair, and filing cabinet for the use of each teacher.
- e) Rest rooms, separate for each sex, and distinct from the students, insofar as is practicable and reasonable.

Sick Leave

Teachers are entitled to 10 sick leave days each school year as of the first official day of the school year. Unused sick leave days are accumulated from year to year with no maximum limit.

A teacher having more than 50 unused accumulated sick days remaining on the effective date of retirement will be paid \$40 for the 51st through 150th day with a 100 day maximum. To be eligible for such payment, the teacher must complete the academic year. No payment is made if the teacher retires after the start of the school year or before the end of the school year.

For the 2000-01 school year, only employees who leave the district no later than June 30, 2001, and provide irrevocable notice of said intent no later than November 1, 2000, were eligible for reimbursement of up to 50% of their accumulated sick leave at 100% of their per diem rate with no cap on the dollar amount. Payments will be made over a three-year period commencing on January 15, 2000. Any deceased employees after date of separation will have their eligible benefits paid to their estate.

Seven association members elected to retire not later than June 30, 2001, and will receive a total of \$160,547 in payments. The individual reimbursement totals range from \$2,233 to \$36,458 and averaged \$22,935. Each individual will receive the reimbursement in three payments on January 15 of 2002, 2003 and 2004.

The 2000-01 salaries of the seven retiring teachers totaled \$414,898, while the cost for the seven incoming replacement teachers for 2001-02 was \$291,445. In other words, in 2001-02 the district benefited from a \$123,456 reduction in teachers' salaries, while expending \$53,515 for reimbursement for 50% of accumulated sick leave for retiring staff. Of course, the relative salary reductions and payments will continue in future years.

While some of the retirements might have occurred without any financial inducement, the review team concludes that the Lincoln Park School District has designed a financially sound reimbursement package.

Temporary Leaves of Absence

Teachers are entitled to the following temporary non-cumulative leaves of absence with full pay each school year:

- a) Up to three days leave of absence per year in total.
- b) Up to five calendar days at any one time in the event of death of the employee's immediate family, as defined, and up to four days for the death of the employee's designated in-laws. When appropriate, the superintendent may allow travel time of up to four calendar days.
- c) Time necessary for persons called into temporary active duty of any unit of the U.S. Reserves or the State National Guard. A teacher will be paid in accordance with the law.
- d) Time necessary for appearance in legal proceedings at the specific request or subpoena of the district, with exceptions listed.
- e) The board for good reason may grant addition leaves of absence with or without pay.

Protection of Teachers, Students, and Property

The district will reimburse teachers for the reasonable cost of any clothing or other personal property damaged or destroyed as a result of a wrongful assault and/or battery suffered by a teacher which acting in the discharge of duties within the scope of employment.

Professional Development

In any given year, the district will provide two one-half day in-service professional development experiences that will assist teachers in attaining the required 100 hours of continuing education towards the state requirement.

Addendum-Lunch Supervision

For the period of July 1, 1999 through June 30, 2002, some special subject area teachers may be assigned to lunch supervision. These teachers may be assigned to lunch supervision in place of a teaching assignment, and lunch supervision will be considered a teaching assignment. This provision will expire with the expiration of this agreement.

Lincoln Park Administrators Association

The two-page Memorandum of Agreement between the Lincoln Park Board of Education and the Lincoln Park Administrators Association for the period July 1, 1997 through June 30, 2000, sets forth the compensation, benefits and other working conditions for the two principals and the director of special services.

Salaries

In 1999-00, the individual salaries ranged from \$96,160 to \$107,240. Salary increases over the previous year were 3% each.

According to the DOE Comparative Spending Guide, March, 2001, the median 1999-00 administrator salary in Lincoln Park was \$98,948, a ranking (low to high) of 79th among 92 K-8 districts with 750+ students. The 1999-00 K-8 state average was \$81,793 and the average of the three comparison district median salaries was \$87,781. Obviously, the seniority of the administrators in the respective districts is one factor that influences these comparisons.

Health Benefits

Each member received family health, prescription and dental insurance.

Sick Days

Each individual received 12 cumulative sick days per year. Members also receive \$100 per day for unused accumulated sick days at the time of TPAF retirement.

Recommendation:

Two senior administrators had 242 and 298 accumulated sick leave days on June 30, 2001. At \$100 per day at retirement this provision represents a commitment of \$54,000 for the district. School officials should consider a \$15,000 cap per individual on payments for unused sick leave days. Such a cap would save the district \$24,000.

Potential Cost Savings: \$24,000

Personal Days

Administrators receive three non-cumulative personal days per year.

Work Year/Vacation Days

Each member, as a 12-month employee, works the school calendar through June 30 each year and is entitled to 20 vacation days each year to be taken between July 1st and September 1st.

Professional Development

Each administrator receives an allowance of up to 50% of the annual membership fee in one local, state and national professional organization.

National Conventions

Members are allowed to attend one national professional convention on an annual basis. The district permits a reasonable amount of release time for individual attendance and pays necessary travel, registration and sustenance expenses.

State and Local Conventions

The district allows \$500 per member for attendance at state and local programs or activities conducted or sponsored by professional associations.

Note: The school district has negotiated a successor agreement for the period July 1, 2000 through June 30, 2003. The level of health benefits will be equal to that offered to the Education Association and new members to the Administrators Association will make similar contributions for health insurance. The middle school vice principal became the fourth member of the Administrators Association.

Lincoln Park School Services Association

The Agreement between the Lincoln Park School Services Association and the Lincoln Park Board of Education for the period July 1, 1999 through June 30, 2002 covers all full-time, non-certificated, clerical, custodial, maintenance, library aide(s) and cafeteria employees. Administrators, supervisors and confidential employees are not covered.

Work Year and Holidays

Cafeteria and library aide employees commence work no later than three days prior to the official opening day for the school year and finish on June 30th following the closing of school. These employees have eight designated holidays.

Twelve-month employees work during the entire 12 months of the year and have 10 designated holidays. Twelve-month custodial and maintenance employees have two additional holidays, i.e., New Year's Day and Columbus Day. Ten and one-half month employees commence work the first working day after August 15th and finish on June 30th. These employees have holidays in accordance with the principals' calendar.

Vacations

Twelve-month employees are entitled to vacations in accordance with the following schedule:

Completed Years of Continuous Employment	Vacation
Six months to one year	One week
Starting second year through six full years.	Two weeks
Starting seventh year through 15 full years	Three weeks
Over 15 years	Four weeks

Sick Leave

Clerical employees are entitled to 11 days sick leave and 12-month employees receive 12 sick days per year. Unused sick leave accumulates from year to year with no maximum limit in accordance with statutory provisions.

Each employee who, at the time of retirement from the district, has more than 20 unused sick days accumulated during a period of continuous service with the district receives one day's pay for each two days accumulated sick days (beyond 20 and up to a maximum of 50 days). The maximum payment is \$3,000. Partial days do not count and are not prorated. Sick leave compensation for hourly employees is based upon the average daily hours worked by each employee during the preceding full calendar month.

District officials are commended for setting limits on payments at retirement for unused sick leave.

Temporary Leaves of Absence

Employees, except those on unpaid leaves of absence, are entitled to the following temporary non-accumulative leaves with full pay for each school year.

1. Three days paid leave of absence.
2. Up to five days with full pay at any one time in the event of death in the immediate family, as defined, and three days with full pay at any one time in the event of death of other specified family members. One day is granted for the death of the employee's grandparent. Traveling time up to three extra days may be allowed at the sole discretion of the superintendent.

Insurance

The district pays the full cost of health insurance for each employee and family, except that those persons whose first day of employment was on or after January 1, 1998, are enrolled in the Preferred Provider Option (PPO)), or its equivalent. These employees may select coverage other than the PPO, or its equivalent, by paying the difference in premium cost. Upon attaining tenure, these employees are no longer required to pay premium costs associated with insurance coverage other than the PPO, or its equivalent.

Effective July 1, 1999, employees pay \$150 per year towards the annual premium cost for prescription coverage. Effective July 1, 2000, the district pays \$525 towards the cost of a family dental plan for each employee.

Effective July 1, 1999, the district offers a voluntary health care reimbursement account and/or a dependent care reimbursement account. Employees are allowed to make pre-tax contributions to these accounts.

Employees who opt to take health insurance coverage offered by the district that is not Traditional receive 25% of the difference in premium cost between the Traditional Plan and the plan they select. Effective July 1, 2000, employees who are covered by an insurance plan that is not offered by the district, and elect to waive benefits, receive 25% of the cost savings realized by the district.

Additional information about insurance co-pays, deductibles and second opinions are contained in the health insurance section of this report.

Salaries

Commencing with the effective date of this Agreement, salary increases are not automatic, but are to be based upon the recommendation of appropriate supervisory personnel and salary increases may be withheld by the board of education for just cause.

Years of service do not necessarily correspond with placement on the salary guide, consequently salary guides are not to be considered step guides. However, for the duration of this contract, employees will move on the salary guides.

All new employees, hired on or after June 1, 1999, in the categories of custodians, secretaries, media center aides and cafeteria workers will be placed on a prorated salary of 85% of the current base salary for the applicable category. The prorated salary will be in effect for the first 12 months the individual is employed by the board. After the first 12 months of employment, all applicable employees will be paid the full base salary.

Cafeteria

All present cafeteria employees continue to be part of the bargaining unit and to be governed by the same terms and conditions of employment as stated in the bargaining agreement.

Cafeteria Guide (per hour)	
1999-00	2000-01
\$11.10	\$11.52
\$11.22	\$11.64
\$11.85	\$12.30
\$12.53	\$13.01

The cafeteria manager receives an annual stipend of \$500. Cafeteria employees receive \$125, and after four months of employment receive two uniform shirts per year.

Custodial and Maintenance

All custodial and maintenance employees must obtain a black seal boiler license within two years of initial employment to obtain contract renewal. The district pays the fee for the course taken in attaining the black seal boiler license and compensates the employee a one time, non-recurring \$200 payment. All custodial and maintenance employees with a black seal license receive an additional \$250 per year.

The head custodian receives a stipend of \$1,300 to perform minor maintenance and tools are provided. When called out from home on Monday through Saturday, head custodians are paid a minimum of two hours pay at one and one-half times their base rate and two times their base rate on Sunday and designated holidays. When called out, they are paid the prevailing cents per mile for travel allowable by IRS regulation.

Custodial Guide	
1999-00	2000-01
\$30,847	\$32,019
\$31,678	\$32,882
\$32,525	\$33,761
\$37,046	\$38,454
Maintenance Guide	
\$35,039	\$36,371

The contract provides for the non-supervisory position of custodial coordinator with an annual stipend of \$2,500. Maintenance employees receive a stipend of \$2,338 for the duration of the contract.

All full time custodians and maintenance employees work eight and one-half continuous hours, which includes eight hours work and an unpaid one half-hour duty-free lunch period. The normal tour of duty will be scheduled between the hours of six a.m. and four p.m. or three p.m. and one a.m. during the academic calendar. During the remainder of the year and during school recesses, only the "day" shift is operational.

A custodian who is required to report to work four or more hours before his/her starting time, and who worked his/her normal shift the previous day, is compensated \$15 per occurrence. Non-emergency custodial overtime beyond a 40-hour week is paid at one and one-half times the rate of pay for Monday through Saturday and at double time on Sundays and holidays.

Custodial and maintenance employees with more than six months of service are given two new uniforms every September and one pair of safety work shoes every two years. All custodial and maintenance employees are furnished with one pair of rubbers or boots, which are replaced by the district when they become unserviceable.

Clerical and Library Aide

Clerical Guide (10 months)	
1999-00	2000-01
\$26,282	\$27,281
\$27,934	\$28,995
\$29,723	\$30,853
\$31,562	\$32,761

When there are no certified librarians employed in the district, library aides receive a stipend of \$400 per year.

Library Aide Hourly Wage Guide	
1999-00	2000-01
\$11.84	\$12.29
\$12.19	\$12.85
\$12.56	\$13.04

Longevity

The maximum stipends are \$200 between the 11th and 15th years of service, \$300 between the 16th and 20th years, and \$500 beginning in the 21st year of service. Part-time service is prorated and longevity stipends are not accumulated.

Eleven employees received longevity payments ranging from \$200 to \$250 with a total annual cost of \$2,550.

Recommendation:

The respective negotiated agreements contain a significant number of stipend, longevity, and other extra payments. These separate payments complicate the payroll, record keeping and budgeting process in the business office. School district officials should consider establishing a single salary, range or schedule to cover each position with extra payments to be contracted only for extra hours or unique individual duties which exceed the normal duties of the position.

The School Services Association contract has evolved over time into a collection of provisions with sporadic organization. Prior to the next round of negotiations, school officials and association leaders should consider developing an outline and rewriting the current contract with an emphasis upon logical organization and clarity of written expression. Any ambiguity in contract language can result in extra expense for both parties for third party contract interpretation.

EMPLOYEE BENEFITS

Health Insurance

The Lincoln Park School District joined the Morris, Passaic, Bergen Health Insurance Fund (HIF) in the 2000-01 school year to provide health, dental, and prescription insurance to eligible employees and their dependents in order to reduce district health benefit costs. An employee is eligible for benefits if they work 20 or more hours per week. The district's total costs, less the employee share, for medical, dental, and prescription benefits for the 2000-01 school year was \$927,137 as illustrated below:

Lincoln Park Health Benefits Costs 2000-01 School Year

Insurance	Total Cost	Employee Share	Net Cost to District
Medical	\$817,043.64	\$0	\$817,043.64
Dental	\$69,358.03	\$4,453.16	\$64,904.87
Prescription	\$52,418.64	\$7,230.00	\$45,188.64
Totals	\$938,820.31	\$11,683.16	\$927,137.15

The education association and support staff health plan have a medical deductible \$200/\$400 (employee/family). The administrators' health plan has a deductible of \$100/\$200. The district's PPO plan is similar to the traditional plan whereby there is no requirement to choose a primary doctor or to obtain a referral. Employee enrollment in the PPO plan is 65%, while 35% are in the traditional plan.

The opt-out language provides that employees covered by an insurance plan that is not offered by the district may transfer to the PPO, or waive benefits offered by the board and receive 25% of the cost savings realized. The district did not report any employee contribution for health benefits or board payment to employees for opting out of health plans, or for opting for a more costly plan than offered.

The district negotiated changes to decrease costs by increasing deductibles, requiring employee contributions and offering an opt-out provision. The Education Association contract stipulates that employees hired on or after July 1, 1997 be offered a Preferred Provider Option (PPO) for three years. The School Services Association contract stipulates that employees hired on or after July 1, 1998 be offered a PPO plan for three years. The employees who choose the costlier plan are required to pay the difference between the PPO plan and the traditional plan for the first three years of their contract. After the three years, all contracts indicate that premiums are fully paid by the district for eligible employees. All employees who were employed before 1997

(education association) or 1998 (support service association) are “grand-fathered in” and may chose any plan without any contribution. The district should be commended for their cost containment efforts by offering PPO coverage to new hires for three years, offering opt-out provisions, and offering those who transfer from the traditional plan to the PPO 25% of the saving. The 1999-00 district’s saving was approximately \$5,700.

Also, the board established a flexible benefit plan to provide employees a choice between cash and specified welfare benefits. Pre-tax premium elections under the plan qualify for exclusion from income provided in Section 125 of the Internal Revenue Code. This plan lessens the effect of the benefits co-pay and reduces the tax burden for employees who pay a share of benefits. The employee contribution through Section 125 is exempt from Federal taxes.

In the 2000-01 school year, the annual rates per employee for health insurance in the HIF are illustrated below. Different rates applied to administrators as their deductibles were \$100/\$200 instead of \$200/\$400 for all other district personnel.

**Annual Health Benefit Rates Per Employee - Administrators
2000-01 School Year**

Traditional Plan-Administration	Annual Premium
Single	\$3,046.80
Husband/Wife	\$6,777.48
Family	\$9,149.64
Parent/Children	\$6,063.48

**Annual Health Benefit Rates Per Employee - Teachers/Support Staff
2000-01 School Year**

Traditional Plan-Teachers/Support Staff	Annual Premium
Single	\$3,046.80
Husband/Wife	\$6,675.84
Family	\$9,012.36
Parent/Children*	\$0
PPO Plan	Annual Premium
Single	\$2,938.56
Husband/Wife	\$6,438.84
Family	\$8,692.32
Parent/Children	\$5,760.60

*No participants/cost not available.

(Note: LGBR utilizes current year costs for health benefits rather than the study year costs due to the volatile nature of pricing in the health insurance market place.)

The team recognizes that under the language in the agreement changes in employee insurance options are subject to negotiations. In this review, the team compared the district’s medical plan with the NJ State Health Benefits Plan (NJSHBP). If the district had been enrolled in the NJSHBP during the 2000-01 school year, it would have saved approximately \$147,700. The district terminated its association with the HIF and its broker for health coverage for the 2001-02

school year. New coverage was obtained through another broker on July 1, 2001 at an increase of approximately 11%. NJSHBP increased its rates approximately 24% for traditional coverage and 8.5% for NJ Plus, effective January 1, 2002. The team compared the district's new plan with NJSHBP. The projected cost savings to the district if it were insured by NJSHBP, with no employee premium cost sharing, would be approximately \$146,230.

Recommendation:

With cost savings in mind, the district should consider the benefits of enrolling in the NJSHBP. If the district had been a member of NJSHBP, it would have saved the district considerable funds. A review of the rates for the 2000-01 and 2001-02 school year indicates a projected saving of \$147,700 and \$146,230 respectively if the district had been enrolled in NJSHBP.

Potential Cost Savings: \$146,230

The team suggests the district explore an employee, premium sharing to realize a saving in its current health plan. Approximately 35% of its employees are covered by the traditional plan. Negotiating a requirement for employees to pay the difference between the PPO plan and the traditional plan could produce a saving for the district in the area of health costs. It would also tend to make employees responsible for the added cost of any potential migration to the more expensive traditional plan.

Recommendation:

The potential of negotiating an employee sharing plan to cover the difference of cost between the traditional and PPO plans could yield a savings for the district and not impose a large annual contribution upon the employees.

Potential Cost Savings: \$11,437

Prescription

The district provides the prescription plan for employee coverage only. Dependents may submit their prescription reimbursements through the health policy major medical. In the 2000-01 school year, 50 employees participated in the stand-alone prescription plan. The annual cost of the standalone prescription plan was \$828.60 per employee. According to the negotiated agreements, employees who chose the stand-alone plan contributed \$150 annually toward the prescription premium cost. The board paid the remainder of the premium, or \$678.60 annually, for each employee. The total cost to the district for the prescription plan in the 2000-01 school year was \$45,188.64. The remaining employees chose to utilize their health benefit major medical plan for an 80% reimbursement of prescription costs. The co-payments for prescription drugs ranged from \$2/\$0/\$0 (generic, brand, mail order) for administration, \$6/\$3/\$0 for Support Services, and \$5/\$10/\$0 for the education association. (A review of the district's prescription coverage for the 2001-02 indicated that a co-payment of \$5/\$10/\$0 is applicable to all employees covered.)

By negotiating “single coverage only” for prescription coverage with an employee contribution of 18% in the 2000-01 school year, the district saved the cost of insuring all employees (127) versus 50 employees for a total saving of approximately \$50,000.

Dental

In the 2000-01 school year, 113 employees participated in the dental program. Until the 1996-97 school year, the employees of the district enjoyed a fully paid dental program. Beginning in the 1997-98 school year, the board imposed a cap on dental premiums thus requiring employees to pay a share of the premium. The district cap for the dental plan has increased from \$490.80 effective July 1, 1998 to \$525.00 in the 2000-01 school year and will increase to \$550 in the 2001-02 school year.

In the 2000-01 school year, the board paid \$525 per employee. The annual employee share was \$53.76, or a total of \$4,453 for those employees contributing toward the premium cost. The district’s total net cost of dental insurance was approximately \$65,000.

The board should be commended for negotiating a cost-sharing feature. The board could consider a more effective cost saving effort by assessing the employees a larger contribution in future negotiations to contain costs. In addition the cost sharing should be applicable to all employees.

Recommendation:

District officials should consider negotiating a larger employee cost-sharing in the dental program. A 20% premium cost sharing would have yielded approximately \$13,800, or \$9,400 more than the cost-sharing program yielded in the 2000-01 school year.

Potential Cost Savings: \$9,400

In conclusion, the review team analysis of the three negotiated agreements with employee organizations reveals that Lincoln Park School District officials have been very effective in the negotiation process. In general, the implementation costs of contract provisions in Lincoln Park are on par with those found in other comparable school districts.

IV. SHARED SERVICES

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation.

Municipal

The Lincoln Park School District (Landlord) has a 50-year \$1 lease with Lincoln Park Borough (Tenant) for the Borough to use Lanes Field for recreational and other uses. Lanes Field is composed of two plots of land totaling 35.4 acres. The current lease, which expires in 2047, has a 50-year renewal clause.

The borough, in exchange for the use of the facility's ball fields, provides the maintenance of the school grounds. The Lincoln Park School District loaned its lawn care equipment to the borough for that purpose. The borough also assists the school district in snow plowing. The school district purchases gasoline for its vehicle through the borough. The school district in turn allows the use of school facilities for municipal activities. Reportedly, there is a good working relationship among the public schools and the municipal library. The public schools and the borough officials have worked together successfully on the Mrs. Kind Heart project.

In a joint effort with New Bridges Services, a community mental health agency, Lincoln Park developed an after-school program called the Recreation Awareness Program to address issues associated with substance abuse, violence, and bullying. The main goal of this effort, directed at middle school students, was to help them be better prepared to enter the high school environment, as well as to aid in their adjustment in the middle school years. Mental health counselors from New Bridges, in weekly meetings in the Lincoln Park Middle School, made presentations, used audiovisual materials, and led discussions with students identified by school counselors or others as at-risk. Students may also volunteer for this program, which also required written parental consent. The school district contributed funds (\$3,569) from Title IV (Safe and Drug-Free Schools and Community Act), while the local Municipal Alliance also shared in the costs of operating this program.

YMCA

In conjunction with the Lakeland Hills Family YMCA, the district operates a program, the "Lincoln Park after School Recreational Program for Special Education Children," for students with disabilities in kindergarten through grade 4. IDEA funds are used to support the program, which is held from November through March in the Lincoln Park Elementary School. The target population consists of students who cannot participate in the PAL or other community recreation department activities. The Lincoln Park School District provides space, guidance on required procedures, and kitchen facilities. The YMCA maintains and monitors the program, hires and trains staff, supplies materials, obtains the necessary licenses and approvals, and shares in insurance for the program.

School Districts

Lincoln Park has joint agreements with Wayne for student transportation. Pequannock, Wayne and Lincoln Park share the prorated costs of special education and nonpublic transportation routes. In the sending-receiving relationship, the Lincoln Park and Boonton School Districts have periodic curriculum articulation meetings, staff in-service meetings, etc.

Consortia

Services for regular and non-public to and from school transportation and special education routes are out-sourced through joint transportation agreements with the Morris County Educational Services Commission (MCESC), the Passaic County Educational Services Commission and with several adjoining school districts. Lincoln Park participates in the Educational Service Commission for cooperative bidding of custodial, office and instructional supplies. The school district also pays a modest fee to participate in the technology in-service training provided by the County ETTC.

Recommendation:

LGBR recommends the district investigate areas to implement increased shared services with other school districts or the municipality. Recently enacted legislation, the Regional Efficiency Development Incentive Act (REDI) and Regional Efficiency Aid Program Act (REAP) provides incentives to enter into shared services arrangements and provides tax relief. The New Jersey Department of Community Affairs (DCA) and Department of Education jointly administer these programs. Information can be obtained on the Department of Education web site address at <http://www.state.nj.us/njded/grants/redi/htm>.

V. STATUTORY AND REGULATORY REFORM

It is not uncommon for local officials to attribute high costs and increased taxes in part to “state mandates.” The fifth and final section of the report, Statutory and Regulatory Reform, identifies state mandates cited by local officials as impeding efficient and cost effective operations. Issues raised in this section can often be addressed only through changes in statute, code, or procedural rules and regulations.

Board of education members, central office administrators and school principals were interviewed and given the opportunity to express their concerns regarding the various regulations that impact the public schools. District officials provided the following written summary of the most frequently expressed concerns.

New Jersey should pay for any state mandated programs in local school districts. Also, the federal government should provide local school districts with the legislated 40% funding for federally mandated special education programs.

School officials have indicated that the sending-receiving relationship with Boonton for the education of Lincoln Park high school age students has been a major source of concern. The state framework for representation by sending districts on the boards of education of the receiving districts is viewed by Lincoln Park as deficient. Consequently, the Lincoln Park representation on the Boonton school board is in the process of being litigated in court by a Lincoln Park resident. In addition, there has been a continual controversy for several years between Lincoln Park and Boonton school officials about the calculation of the high school tuition costs. The district has found it necessary to employ a separate auditor to correct significant overcharges in tuition billing. While state regulations outline the types of items that should be included in the billing, there is ineffective follow-up to determine the correctness of the actual billing. In order to reduce or avoid extra auditing expenses in the future, Lincoln Park school officials would like to see more adequate state oversight of receiving school district tuition billing.

Some local school officials are concerned that the state testing program has been both flawed and extremely time consuming. Sections of some of the tests and the reported scores have been declared invalid. The preparation of students and the administration of the tests occupy a large amount of instructional time and school resources.

LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS

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